**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Housing Set-Aside**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**(Taxable)**
**2007 Series B**

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF CLERK OF THE AGENCY
## REGARDING RESOLUTION NO. 07-9

I, Diane Holmes, hereby certify that I am the Clerk of the Richmond Community Redevelopment Agency (the "Agency"), a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California, and that as such, I am familiar with the facts herein certified and authorized and qualified to execute the same on behalf of the Agency.

I hereby certify that the attached resolution is the full, true and correct copy of Resolution No. 07-9, adopted at a regular meeting of the members of the Agency held on June 5, 2007, of which meeting all of the members of the Agency had due notice and at which a quorum was present and acting throughout.

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that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: Diane Holmes
Diane Holmes, Clerk

**RESOLUTION NO. 07-09**

A RESOLUTION OF THE BOARD OF THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED $70,000,000 OF ITS RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS), AND NOT TO EXCEED $11,000,000 OF ITS RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS, AND APPROVING THE FORMS AND SUBSTANCE OF MASTER NON-HOUSING AND HOUSING INDENTURES, SUPPLEMENTAL INDENTURES, AN INTEREST RATE SWAP AND RELATED AGREEMENTS, BOND PURCHASE AGREEMENTS, CONTINUING DISCLOSURE CERTIFICATES AND OFFICIAL STATEMENTS, AND MAKING FINDINGS IN CONNECTION THEREWITH AS REQUIRED UNDER CALIFORNIA COMMUNITY REDEVELOPMENT LAW, AND AUTHORIZING THE EXECUTION AND DELIVERY THEREOF, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF SUCH BONDS.

---

WHEREAS, the Richmond Community Redevelopment Agency (the "Agency") is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California (the "Law"), including the power to issue bonds for any of its corporate purposes;

WHEREAS, the Agency intends to provide for the issuance of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), in one or more series (the "Non-Housing Bonds"), pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Master Non-Housing Indenture"), between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), and a First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture"), between the Agency and the Trustee, supplementing the Master Non-Housing Indenture, for the purpose of financing and refinancing certain public capital improvements within the Richmond Community Redevelopment Agency Merged Project Areas (the "Project Area"), to establish a reserve fund and to pay costs of issuance relating to the Non-Housing Bonds;

WHEREAS, the Agency intends to provide for the issuance of its Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds, in one or more series (the "Housing Bonds," and together with the Non-Housing Bonds, the "Bonds"), pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Master Housing Indenture"), between the Agency and the Trustee, and a First Supplemental Indenture of Trust (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture"), between the Agency and the Trustee (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures"), supplementing the Master Housing Indenture, for the purpose of financing low and moderate income housing within or of benefit to the Richmond Community Redevelopment Agency Merged Project Areas in furtherance of the Agency's housing obligation, to establish a reserve fund and to pay costs of issuance relating to the Housing Bonds;

WHEREAS, the Bonds may be issued as auction rate securities (the "ARS") or as fixed rate bonds;

WHEREAS, in order to provide for auction procedures for any ARS, the Trustee and an auction agent meeting the requirements for eligibility to serve as auction agent set forth in either of the Indentures (the "Auction Agent"), may enter into an auction agent agreement (such auction agent agreement being referred to herein as the "Auction Agent Agreement");

WHEREAS, as the auction procedures require the participation of one or more broker-dealers, the Agency desires to authorize the Trustee to enter into, as appropriate, one or more separate broker-dealer agreements (the form of such a broker-dealer agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Broker-Dealer Agreement") with the Auction Agent and such broker-dealers as may hereafter be identified by the Agency as meeting the requirements therefore under either of the Indentures (each, a "Broker-Dealer");

WHEREAS, in order to reduce the amount of interest rate risk or lower the cost of borrowing in combination with the issuance of the Bonds or ARS, the Agency desires to enter into an interest rate swap agreement pursuant to an ISDA Master Agreement, together with the schedule and confirmation thereto (collectively, the "Interest Rate Swap Agreement" or the "Swap Documents"), each between the Agency and Royal Bank of Canada, as counterparty (the "Counterparty");

WHEREAS, the Interest Rate Swap Agreement complies with the Richmond Community Redevelopment Agency Interest Rate Swap Policy, dated as of May 2006 (the "Swap Policy");

WHEREAS, the Agency desires (i) to enter into the Non-Housing Indenture, the Housing Indenture, a bond purchase agreement with respect to the Non-Housing Bonds (the "Non-Housing Bond Purchase Agreement") and a bond purchase agreement with respect to the Housing Bonds (the "Housing Bond Purchase Agreement", and together with the Non-Housing Bond Purchase Agreement, the "Bond Purchase Agreements"), (ii) to execute a continuing disclosure certificate with respect to the Non-Housing Bonds (the "Non-Housing Bonds Continuing Disclosure Certificate") and a continuing disclosure certificate with respect to the Housing Bonds (the "Housing Bonds Continuing Disclosure Certificate", and together with the Non-Housing Bonds Continuing Disclosure Certificate, the "Continuing Disclosure Certificates"), and (iii) to deliver a preliminary official statement and a final official statement with respect to both the Housing Bonds and the Non-Housing Bonds (the "Preliminary Official Statement");

WHEREAS, the Agency seeks to sell and the Richmond Joint Powers Financing Authority (the "Authority") seeks to purchase the Bonds at a negotiated sale pursuant to the Bond Purchase Agreements, by and among the Agency, the Authority and RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, Inc. (the "Underwriter");

WHEREAS, in furtherance of implementing the bond issuance, the following documents have been prepared, reviewed and approved as to form by Agency staff, and presented at this meeting:

1. Master Non-Housing Indenture;
2. First Supplemental Non-Housing Indenture;
3. Master Housing Indenture;
4. First Supplemental Housing Indenture;
5. Auction Agent Agreement;
6. Broker-Dealer Agreement;
7. Swap Documents;
8. Bond Purchase Agreements, as described above;
9. Preliminary Official Statement, as described above;
10. Continuing Disclosure Certificates, as described above; and

WHEREAS, in accordance with Section 6586 of the California Government Code, the Agency hereby finds and determines that the proposed financing and refinancing of the capital improvements within the Project Area will have one or more of the following public benefits to the residents of the Project Area of the Agency and to the citizens of the City, and that such public benefits will be significant:

(a) demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs;

(b) employment benefits from undertaking the proposed public capital improvements in a timely fashion; and

(c) more efficient delivery of local agency services to residential and commercial development.

WHEREAS, a portion of the proceeds of the bonds authorized and issued hereunder are intended to be used to install and renovate publicly owned facilities and improvements within the Civic Center complex in the City of Richmond, to plan and design a proposed new police station, and to install tenant improvements for a temporary police facility (the "Improvements").

WHEREAS, the Agency Board and the City Council have conducted a duly noticed public hearing pursuant to Health and Safety Code Section 33679, and the Agency has prepared and made available for public inspection the summary report required by Health and Safety Code Section 33679 (the "Section 33679 Report"), a copy of which is on file with the Agency Clerk and incorporated into this Resolution by this reference in connection with the Improvements.

WHEREAS, following the above-described public hearing, the City Council made the findings and granted the consent required by Health and Safety Code Section 33445 in connection with the proposed Agency funding of the Improvements.

WHEREAS, the following documents (collectively, the "Supporting Documents") have been presented to and considered by the Agency Board in support of the findings and approvals set forth in this resolution: (1) the Staff Report that accompanies this Resolution; (2) the Section 33679 Report, and (3) the Redevelopment Plan. The Supporting Documents are hereby incorporated by reference into this Resolution and, together with the above recitals (the "Recitals"), form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Agency Board of the Richmond Community Redevelopment Agency as follows:

Section 1. The foregoing recitals are true and correct, and this Agency so finds and determines.

Section 2. The issuance of the Non-Housing Bonds, on the terms and conditions set forth in, and subject to the limitations specified in, the Non-Housing Indenture as finally executed, is hereby authorized and approved. The Non-Housing Bonds, in substantially the form set forth in the First Supplemental Non-Housing Indenture submitted to this meeting and made a part hereof as though set forth herein, are hereby approved. The Non-Housing Bonds may be issued with any Interest Rate Period (as defined in the Non-Housing Indenture) permitted under the Non-Housing Indenture; provided, however, that (a) the aggregate initial principal amount of Non-Housing Bonds shall not exceed $70,000,000, (b) the interest rate on the Non-Housing Bonds which are fixed rate bonds shall not exceed 7% per annum, and (c) the interest rates on the Non-Housing Bonds which are issued with any Interest Rate Period other than a Fixed Rate Period shall not exceed the applicable rates permitted under the Indenture. The Executive Director, or designee, is hereby authorized and directed, for and in the name of the Agency, to determine the Interest Rate Period with which the Non-Housing Bonds will be issued. Each such determination shall be conclusively evidenced by the issuance of such series of Non-Housing Bonds.

Section 3. The issuance of the Housing Bonds, in one or more series, on the terms and conditions set forth in, and subject to the limitations specified in, the Housing Indenture as finally executed, is hereby authorized and approved. The Housing Bonds, in substantially the form set forth in the First Supplemental Housing Indenture, submitted to this meeting and made a part hereof as though set forth herein are hereby approved. The Housing Bonds may be issued in one or more series as taxable or tax-exempt bonds, as provided under the Housing Indenture; provided, however, that (a) the aggregate initial principal amount of the Housing Bonds shall not exceed $11,000,000, (b) the interest rate on the Housing Bonds shall not exceed 7% per annum, and (c) the interest rates on the Housing Bonds which are issued with any Interest Rate Period other than a Fixed Rate Period shall not exceed the applicable rates permitted under the Indenture. The Executive Director, or designee, is hereby authorized and directed, for and in the name of the Agency, to determine the series designations and tax-exempt status of the Housing Bonds to be issued. Each such determination shall be conclusively evidenced by the issuance of such series of Housing Bonds.

Section 4. The form of the Master Non-Housing Indenture on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute and deliver and the Agency Clerk is hereby authorized and directed to attest the Master Non-Housing Indenture in substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by such execution and delivery.

Section 5. The form of the Master Housing Indenture on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute and deliver and the Agency Clerk is hereby authorized and directed to attest the Master Housing Indenture in substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by such execution and delivery.

Section 6. The form of the First Supplemental Non-Housing Indenture on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute and deliver and the Agency Clerk is hereby authorized and directed to attest the First Supplemental Non-Housing Indenture in

substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by such execution and delivery.

Section 7. The form of the First Supplemental Housing Indenture on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute and deliver and the Agency Clerk is hereby authorized and directed to attest the First Supplemental Housing Indenture in substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by such execution and delivery.

Section 8. In the event any Bonds are issued as ARS, the Broker-Dealer Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved with such changes, insertions and omissions, and in such number, as the Executive Director may, upon consultation with Agency Counsel, require or approve, such requirement or approval to be conclusively evidenced by the execution of one or more Broker-Dealer Agreements by the Auction Agent. Further, in the event any Bonds are issued as ARS, the Auction Agent Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, is hereby approved with such changes, insertions and omissions as the Executive Director may, upon consultation with Agency Counsel, require or approve, such requirement or approval to be conclusively evidenced by the execution of the Auction Agent Agreement by the Trustee.

Section 9. The forms of the Swap Documents on file with the Agency Clerk and incorporated into this Resolution by reference are hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute and deliver the Swap Documents in substantially the forms on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary or desirable in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's swap advisor and bond counsel, such approval to be conclusively evidenced by such execution and delivery; provided, however, that the Executive Director shall not execute and deliver the Swap Documents unless: (a) such agreements are designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, or (ii) to result in a lower cost of borrowing when used in combination with the issuance of the Bonds; (b) the term of such Swap Documents does not exceed the final maturity of the Bonds; (c) the initial aggregate notional amount of such Swap Agreement does not exceed the initial aggregate amount of the Bonds; and (d) the amounts payable by the Agency with respect to such Swap Documents shall be payable solely and exclusively from Subordinate Pledged Tax Revenues (as defined in the Non-Housing Indenture and the Housing Indenture, as applicable). In accordance with Section 5922 of the California Government Code, the Agency hereby finds and determines that the Swap Agreement entered into in accordance with this Resolution and consistent with the requirements set forth herein is designed to reduce the amount or duration of payment, interest rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the issuance of the Bonds.

Section 10. The form of Non-Housing Bond Purchase Agreement among the Authority, the Agency and the Underwriter on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed, for and in the name and on behalf of the Agency, to accept the offer of the Authority and the Underwriter to purchase the Non-Housing Bonds as reflected in the Non-Housing Bond Purchase Agreement and to execute and deliver the Non-Housing Bond Purchase Agreement in substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by the execution and delivery of the Non-Housing Bond Purchase Agreement; provided, however, that such additions, changes or insertions in the Non-Housing Bond Purchase Agreement shall not specify a true interest cost (taking into account, as necessary, the synthetic fixed rate and associated costs of the bonds) of the Non-Housing Bonds in excess of 7% or an underwriter's discount in excess of 1% of the aggregate principal amount of the Non-Housing Bonds.

Section 11. The form of Housing Bond Purchase Agreement among the Authority, the Agency and the Underwriter on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed, for and in the name and on behalf of the Agency, to accept the offer of the Authority and the Underwriter to purchase the Housing Bonds as reflected in the Housing Bond Purchase Agreement and to execute and deliver the Housing Bond Purchase Agreement in substantially the form on file with the Agency Clerk and presented to this meeting, with such additions thereto or changes or insertions that

hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's bond counsel, such approval to be conclusively evidenced by the execution and delivery of the Housing Bond Purchase Agreement; provided, however, that such additions, changes or insertions in the Housing Bond Purchase Agreement shall not specify a true interest cost (taking into account, as necessary, the synthetic fixed rate and associated costs of the bonds) of the Housing Bonds in excess of 7% or an underwriter's discount in excess of 1% of the aggregate principal amount of the Housing Bonds.

Section 12. The form of Non-Housing Bonds Continuing Disclosure Certificate on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Non-Housing Bonds Continuing Disclosure Certificate in substantially the form on file with the Agency Clerk, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's disclosure counsel, such approval to be conclusively evidenced by the execution and delivery of the Non-Housing Bonds Continuing Disclosure Certificate.

Section 13. The form of Housing Bonds Continuing Disclosure Certificate on file with the Agency Clerk and incorporated into this Resolution by reference is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Housing Bonds Continuing Disclosure Certificate in substantially the form on file with the Agency Clerk, with such additions thereto or changes or insertions that hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, in consultation with the Agency's disclosure counsel, such approval to be conclusively evidenced by the execution and delivery of the Housing Bonds Continuing Disclosure Certificate.

Section 14. The form of preliminary official statement relating to the Bonds on file with the Agency Clerk and incorporated into this Resolution by reference, is hereby approved. The Executive Director of the Agency, or designee, is hereby authorized and directed to execute a certificate deeming said preliminary official statement final as of its date, except for certain final pricing and related information, pursuant to Securities Exchange Commission Rule 15c2-12. The Underwriter is hereby authorized to distribute said preliminary official statement as so deemed final to prospective purchasers of the Bonds. The Executive Director, or designee, is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute a final official statement relating to the Bonds in substantially the form of such deemed final preliminary official statement, including such final pricing and related information and with such additions thereto or changes therein as hereafter become necessary in the interest of the Agency and which are approved by the Executive Director, such approval to be conclusively evidenced by the execution and delivery of such official statement. The Underwriter is hereby authorized to distribute copies of said final official statement to all actual purchasers of the Bonds.

Section 15. In connection with the partial funding of Improvements with a portion of the proceeds of the bonds authorized and issued hereunder, and in accordance with Section 33445 of the California Health and Safety Code, the Agency Board hereby finds and determines that:

(a) the Improvements will benefit the Redevelopment Project Area No. 10-B (Nevin) and the immediate neighborhood in which the Improvements are located;

(b) no other reasonable means of financing the Improvements are available to the community that are not being utilized for the Improvements; and

(c) the payment of funds for the Improvements will assist in the elimination of one or more blighting conditions within Redevelopment Project Area No. 10-B (Nevin) and is consistent with the Agency's current implementation plan adopted pursuant to Section 33490 of the California Health and Safety Code.

Section 16. The Executive Director, the Agency Clerk, the Treasurer, members of the Agency Board and other appropriate officers and agents are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Agency, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the sale of the Bonds and the execution of the Swap Documents (including any documents necessary in connection with bond insurance or other credit enhancement for the bonds or investment of the proceeds of the bonds), and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Agency has approved in this Resolution. All actions heretofore taken by the officers and agents of the Agency with respect to the sale, execution and delivery of the Bonds, and the other transactions authorized and contemplated herein are hereby approved, confirmed and ratified. Notwithstanding any provision of this Resolution authorizing the

Executive Director to take any action or execute any document to the contrary, in the absence of the Executive Director or in lieu of the Executive Director, the Chief Executive Officer or the Agency Director may take such action or execute such document with like effect as fully as though named in this Resolution instead of the Executive Director.

Section 17. This Resolution shall take effect from and after its adoption.

**********

I certify that the foregoing resolution was passed and adopted by the Agency Board of the Richmond Community Redevelopment Agency at a regular meeting thereof, held on June 5, 2007, by the following vote:

| | |
|---|---|
| AYES: | Members Bates, Butt, Lopez, Marquez, Rogers, Sandhu, Viramontes, and Mayor McLaughlin |
| NOES: | None |
| ABSTENTIONS: | None |
| ABSENT: | Member Thurmond |

DIANE HOLMES
Clerk of the Redevelopment Agency

(SEAL)

Approved:

GAYLE McLAUGHLIN
Agency Chair

Certified as a True Copy
DIANE HOLMES
CLERK OF THE CITY OF RICHMOND
REDEVELOPMENT AGENCY
BY Pam Christian
DEPUTY

Approved as to form:

LOUISE RENNE, Interim
Agency Attorney

State of California }
County of Contra Costa : ss
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 07-09, finally passed and adopted at a Joint Meeting of the Joint Powers Financing Authority, Richmond Community Redevelopment Agency, and City Council at a meeting held on June 5, 2007.

EXECUTION COPY

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS)**
**2007 SERIES A**
**(Reset Auction Mode Securities – RAMS™)**

**BOND PURCHASE AGREEMENT**

July 10, 2007

Richmond Community Redevelopment Agency
P.O. Box 4046
1401 Marina Way South
Richmond, California 94804

Richmond Joint Powers Financing Authority
P.O. Box 4046
1401 Marina Way South
Richmond, California 94804

Ladies and Gentlemen:

RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the *"Underwriter"*), offers to enter into this Bond Purchase Agreement (the *"Purchase Agreement"*) with the Richmond Community Redevelopment Agency (the *"Redevelopment Agency"*) and the Richmond Joint Powers Financing Authority (the "*Authority*"), which, upon acceptance, will be binding upon the Redevelopment Agency, the Authority and the Underwriter. This offer is made subject to acceptance by the Redevelopment Agency and the Authority by execution of this Purchase Agreement and delivery of the same to the Underwriter on or before 11:59 p.m. (California time) on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Redevelopment Agency at any time prior to such acceptance. Upon the acceptance by the Redevelopment Agency and the Authority hereof, this Purchase Agreement will be binding upon the Redevelopment Agency, the Authority and the Underwriter.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture (defined below) and if not otherwise defined therein, shall have the meanings given to such terms as set forth in the Official Statement (defined below).

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

**Section 1. Purchase and Sale of the 2007 Series A Bonds**. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Agreement, the Authority agrees to purchase from the Redevelopment Agency and the Underwriter agrees to purchase from the Authority, and the Redevelopment Agency agrees to sell and deliver to the Authority and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the $65,400,000 principal amount of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (Reset Auction Mode Securities – RAMS™) (the *"2007 Series A Bonds"*). The 2007 Series A Bonds shall be dated the date of delivery and shall have the maturities, bear interest at the rates per annum, have the yields and be subject to mandatory sinking fund redemption all as set forth on Schedule I attached hereto. The purchase price for the 2007 Series A Bonds shall be $64,909,500 (calculated as the principal amount of the 2007 Series A Bonds, less an Underwriter's discount in the amount of $490,500).

**Section 2. Preliminary Official Statement**. The Redevelopment Agency has delivered to the Underwriter a Preliminary Official Statement, dated June 19, 2007 (the *"Preliminary Official Statement"*), and will deliver to the Underwriter a final Official Statement dated June 28, 2007 as provided in Section 5 of this Purchase Agreement (as amended and supplemented from time to time pursuant to Section 6(k) of this Purchase Agreement, the *"Official Statement"*). The Redevelopment Agency has delivered to the Underwriter a certificate pursuant to Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") relating to the Preliminary Official Statement, in substantially the form attached hereto as Exhibit A.

**Section 3. Description of the 2007 Series A Bonds**. The 2007 Series A Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, the Indenture, dated as of July 1, 2007 (the *"Master Indenture"*), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "*Supplemental Indenture"* and together with the Master Indenture, the *"Indenture"*), each by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee")

The 2007 Series A Bonds are issued pursuant to the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code, commencing with Section 33000 (the *"Redevelopment Law"*) and Resolution No. 07-09 adopted by the Redevelopment Agency on June 5, 2007 (the *"Redevelopment Agency Resolution"*). The 2007 Series A Bonds will be issued initially as auction rate bonds, shall be payable and subject to redemption as provided in the Indenture and as set forth in the Official Statement. The 2007 Series A Bonds are legal, valid and binding limited obligations of the Redevelopment Agency which are payable solely from and secured by a pledge of Subordinate Tax Revenues, as defined in the Indenture, allocated to the Redevelopment Agency with respect to the Merged Project Area, as defined in the Official Statement (the *"Merged Project Area"*). The 2007 Series A Bonds are issued to: (i) pay $22,000,000 to the City to assist in financing a portion of the City's Civic Center Project; (ii) finance certain redevelopment activities of the Redevelopment Agency in the Project Area; (iii) fund a deposit in the reserve account established under the Indenture with respect to the 2007 Series A Bonds; and (iv) pay certain costs associated with the issuance of the 2007 Series A Bonds.

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

In connection with the issuance of the 2007 Series A Bonds, the Trustee will enter into an Auction Agent Agreement dated as of July 1, 2007 (the *"Auction Agent Agreement"*) with Wells Fargo Bank, N.A., as auction agent (the *"Auction Agent"*) and the Redevelopment Agency, providing, among other things, the auction procedures the Auction Agent will follow for the 2007 Series A Bonds so long as they bear interest at an ARB Interest Rate (as defined in the Indenture). The Auction Agent will enter into a Broker Dealer Agreement dated as of July 1, 2007 (the *"Broker-Dealer Agreement"*) with RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as the broker-dealer (the *"Broker-Dealer"*) and acknowledged by the Redevelopment Agency for the purposes of conducting each Auction. The Auction Agent Agreement and the Broker-Dealer Agreement are referred to as the *"Auction Agreements."*

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

The payment of principal of and interest on the 2007 Series A Bonds when due will be insured by a financial guaranty insurance policy (the *"Bond Insurance Policy"*) to be issued by MBIA Insurance Corporation (the *"Bond Insurer"*), simultaneously with the delivery of the 2007 Series A Bonds. The Bond Insurer will also issue a surety bond (the "*Surety Bond Policy*") in the amount of the Reserve Requirement (as defined in the Indenture for deposit in the reserve account).

**Section 4. Public Offering**. The Underwriter agrees to make a *bona fide* public offering of all the 2007 Series A Bonds at not in excess of the initial public offering prices or yields set forth in Schedule I attached hereto, plus interest accrued thereon, if applicable, from the date of the 2007 Series A Bonds. The Underwriter reserves the right to make concessions to dealers and to change such initial public offering prices or yields as the Underwriter reasonably deems necessary in connection with the marketing of the 2007 Series A Bonds. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the 2007 Series A Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time.

**Section 5. Delivery of Official Statement**. The Redevelopment Agency shall deliver to the Underwriter, as promptly as practical but in no event later than the Closing Date (as defined herein), such number of copies of the final Official Statement, as the Underwriter may reasonably request in order to comply with the Securities and Exchange Commission Rule 15c2-12(b) and the rules of the Municipal Securities Rulemaking Board (the *"MSRB"*).

The Redevelopment Agency hereby authorizes the Underwriter to use the Official Statement and the information contained therein in connection with the offering and sale of the 2007 Series A Bonds and ratifies and confirms the authorization of the use by the Underwriter prior to the date hereof of the Preliminary Official Statement, furnished to the Underwriter by the Redevelopment Agency in connection with such offering and sale.

The Underwriter agrees that from the time the Official Statement becomes available until the earlier of (i) the *"End of the Underwriting Period,"* as defined in Section 6(j) herein, or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, the Underwriter shall send no later than the next business day following a request for a copy thereof, by first class mail or other equally prompt means, to any Potential Customer, as defined in Rule 15c2-12, on

request, a single copy of the Official Statement. The Underwriter agrees to file as soon as reasonably practicable a copy of the Official Statement with a nationally recognized municipal securities information repository and take any and all actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the 2007 Series A Bonds to ultimate purchasers.

**Section 6. Representations, Warranties and Covenants of the Redevelopment Agency**. The Redevelopment Agency represents, warrants and covenants with the Underwriter that:

(a) The Redevelopment Agency is a public body corporate and politic, organized and existing under the laws of the State of California (the "*State*"), including the Redevelopment Law, with full right, power and authority to execute, deliver and perform its obligations under the Indenture, the Continuing Disclosure Agreement, dated as of July 1, 2007 (the *"Continuing Disclosure Agreement"*) between the Redevelopment Agency and Union Bank of California, N.A., as Trustee and Dissemination Agent, and substantially in the form attached to the Official Statement as Appendix E, and this Purchase Agreement (collectively, the *"Redevelopment Agency Agreements"*), and to carry out all transactions contemplated by each of the Redevelopment Agency Agreements, the 2007 Series A Bonds and the Official Statement.

(b) By the Redevelopment Agency Resolution, the Redevelopment Agency has taken all necessary official action to authorize and approve the execution, delivery of, and the performance by the Redevelopment Agency of the obligations contained in, the 2007 Series A Bonds and the Redevelopment Agency Agreements, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded; when executed and delivered, each of the Redevelopment Agency Agreements and the 2007 Series A Bonds will constitute a legally valid and binding obligation of the Redevelopment Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally; the Redevelopment Agency has complied, and will at the Closing be in compliance in all material respects, with the terms of the Redevelopment Agency Agreements; compliance with the provisions of the Redevelopment Agency Agreements will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, administrative regulation, court order or consent decree or any applicable judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the Redevelopment Agency is a party or may be otherwise subject; and the Redevelopment Agency Resolution were adopted by a majority of the members of the Board of Directors of the Redevelopment Agency at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout and constitutes all action necessary to be taken by the Redevelopment Agency for the execution, delivery and issuance of the 2007 Series A Bonds, and the execution, delivery and due performance of the Redevelopment Agency Agreements;

(c) at the time of acceptance hereof by the Redevelopment Agency, and (unless an event occurs of the nature described in Section 6(k)) at all times during the period from the date of this Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period for the 2007 Series A Bonds (as determined in accordance with Section 6(j)), the statements and information contained in the Preliminary Official Statement as of its date, and the Official Statement as of its date (excluding the information under the captions "DESCRIPTION OF THE INSURER," and "UNDERWRITING," and contained in APPENDIX D–"BOOK-ENTRY ONLY SYSTEM" and APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY") are true, correct and complete in all material respects and such statements with respect to the Preliminary Official Statement do not, and with respect to the Official

Statement will not, omit to state any material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading;

(d) the Redevelopment Agency has, pursuant to the Redevelopment Agency Resolution, duly authorized and approved the Preliminary Official Statement;

(e) to the best of its knowledge, the Redevelopment Agency is not in violation or breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States of America, or any agency or instrumentality of either of them, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Redevelopment Agency is a party or is otherwise subject, which would constitute a default under any of the Redevelopment Agreements, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both would constitute a violation or a breach of or a default under any such loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Redevelopment Agency is a party or is otherwise subject;

(f) at the date hereof and on the Closing Date, the Redevelopment Agency will be in compliance in all respects with the material covenants and agreements contained in the Redevelopment Agency Agreements and no event of default and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would constitute an event of default thereunder shall have occurred and be continuing;

(g) to the best knowledge of the Redevelopment Agency, after due investigation, other than as set forth in the Official Statement or as the Redevelopment Agency has otherwise disclosed, in writing, to the Underwriter, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or by or before any court, governmental agency, public board or body, pending or threatened against the Redevelopment Agency, (i) wherein an unfavorable decision, ruling or finding would adversely affect the existence of the Redevelopment Agency or the title of any official of the Redevelopment Agency to such person's office, or (ii) seeking to restrain or enjoin the issuance, sale or delivery of the 2007 Series A Bonds, or the assignment by the Redevelopment Agency of its rights under the Indenture, or (iii) in any way contesting or affecting the validity or enforceability of the Redevelopment Agency Agreements or the 2007 Series A Bonds, or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement, or (v) contesting the power of the Redevelopment Agency or its authority with respect to the 2007 Series A Bonds or the Redevelopment Agency Agreements, or (vi) contesting the exclusion of interest on the 2007 Series A Bonds from gross income for federal and State income tax purposes; wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Redevelopment Agency Agreements or the authorization, execution, delivery or performance by the Redevelopment Agency of the 2007 Series A Bonds or the Redevelopment Agency Agreements;

(h) the Redevelopment Agency will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriter which the Underwriter may reasonably request in order for the Underwriter to qualify the 2007 Series A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to determine the eligibility of the 2007 Series A Bonds for investment under the laws of such states and other jurisdictions; provided, however, that in no event shall the Redevelopment Agency be required to take any action which would subject it to service of process in any jurisdiction in which it is not now subject;

(i) to the best of knowledge of the Redevelopment Agency, all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a

condition precedent to the due performance by the Redevelopment Agency of its obligations under the Redevelopment Agency Agreements or the 2007 Series A Bonds have been duly obtained or made, and are, and will be on the Closing Date, in full force and effect;

(j) as used in this Purchase Agreement, the term *"End of the Underwriting Period"* for the 2007 Series A Bonds shall mean the earlier of (i) the Closing Date unless the Redevelopment Agency shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date or (ii) the date on which the End of the Underwriting Period for the 2007 Series A Bonds has occurred under Rule 15c2-12, provided, however, that the Redevelopment Agency may treat as the End of the Underwriting Period for the 2007 Series A Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(k) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2007 Series A Bonds, an event occurs, or facts or conditions become known to the Redevelopment Agency which, in the reasonable opinion of Orrick, Herrington Sutcliffe, LLP (*"Disclosure Counsel"*), or Goldfarb & Lipman LLP, as Counsel to the Redevelopment Agency, might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading in any material respect, the Redevelopment Agency will notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Redevelopment Agency will forthwith prepare and furnish to the Underwriter (at the expense of the Redevelopment Agency) a reasonable number of copies of an amendment of or supplement to the Official Statement (in the form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading in any material respect with respect to the information of the Redevelopment Agency. If such notification shall be subsequent to the Closing Date, the Redevelopment Agency shall forthwith provide to the Underwriter such legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2007 Series A Bonds, the Redevelopment Agency will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(l) if the information contained in the Official Statement relating to the Redevelopment Agency is amended or supplemented pursuant to Section 6(k), at the time of such supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the 2007 Series A Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading;

(m) any certificate signed by any officer of the Redevelopment Agency and delivered to the Underwriter pursuant to the Indenture or this Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the Redevelopment Agency to the Underwriter as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(n) to the best knowledge of the Redevelopment Agency, there is no public vote or referendum pending or proposed, the results of which could materially adversely affect the transactions contemplated by the Official Statement or the Redevelopment Agency Agreements or the 2007 Series A Bonds, or the validity or enforceability of the 2007 Series A Bonds;

(o) the Redevelopment Agency will comply with the requirements of the tax certificates executed by the Redevelopment Agency in connection with the delivery of the 2007 Series A Bonds;

(p) the Redevelopment Agency will apply the proceeds from the sale of the 2007 Series A Bonds for the purposes specified in the Indenture;

(q) the financial statements of the Redevelopment Agency contained in the Official Statement as Appendix I fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, and the Redevelopment Agency has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; and

(r) The Redevelopment Agency is currently in compliance with all of its prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12 and at or prior to the Closing Date, the Redevelopment Agency shall have duly authorized, executed and delivered the Continuing Disclosure Agreement.

**Section 7. Representations, Warranties, Covenants and Agreements of the Authority.** The Authority represents and warrants to the Underwriter that:

(a) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State and the Joint Exercise of Powers Agreement dated December 1, 1989 (the *"JPA Agreement"*) between the City of Richmond (the *"City"*) and the Redevelopment Agency, and has all necessary power and authority to adopt the Authority Resolution (defined below) to enter into and perform its duties under the Purchase Agreement and, when executed and delivered by the other parties thereto, this Purchase Agreement will constitute a legal, valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms.

(b) The Authority has, by a resolution (the *"Authority Resolution"*) adopted by a majority of the members of the Board of Directors of the Authority at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on June 5, 2007, taken all official action necessary to be taken by it for the execution, delivery and due performance by the Authority of this Purchase Agreement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(c) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority with respect to which the Authority has been served with process, or, to the best knowledge of the city, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers, (ii) enjoin or restrain the purchase of the 2007 Series A Bonds from the Redevelopment Agency, (iii) in any way question or affect any authority for the sale of the 2007 Series A Bonds to the Underwriter, or the validity or enforceability of the 2007 Series A Bonds or the Purchase Agreement, or (iv) in any way question or affect the Purchase Agreement or the transactions contemplated by the Purchase

Agreement, the Official Statement or any other agreement or instrument to which the Authority is a party relating to the 2007 Series A Bonds.

**Section 8. Closing**. At 8:00 A.M., California time, on July 12, 2007, or on such earlier or later date as may be mutually agreed upon by parties hereto (the *"Closing Date"*), the Redevelopment Agency, will deliver or cause to be delivered to the Underwriter the duly executed Bonds through the facilities of The Depository Trust Company in New York, New York ("DTC") by the initial deposit with the Trustee (in care of DTC) through the Fast Automated Securities Transfer System, and will deliver or cause to be delivered at the offices of Orrick, Herrington & Sutcliffe LLP (*"Bond Counsel"*) in San Francisco, California, or such other place as shall have been mutually agreed upon by the parties, the other documents described herein; and the Underwriter shall pay the purchase price of the 2007 Series A Bonds as set forth in Section 1 of this Purchase Agreement to the order of the Trustee in immediately available funds, less the premium for the Bond Insurance Policy in the amount of $477,000 and less the premium for the Surety Bond Policy in the amount of $83,000, which the Underwriter will wire directly to the Bond Insurer.

The 2007 Series A Bonds shall be issued in fully registered form. It is anticipated that CUSIP identification numbers will be inserted on the 2007 Series A Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the 2007 Series A Bonds in accordance with the terms of this Purchase Agreement.

**Section 9. Termination**. The Underwriter shall have the right to terminate the obligations of the Underwriter under this Purchase Agreement to purchase, to accept delivery of and to pay for the 2007 Series A Bonds by notifying the Redevelopment Agency of its election to do so if, after the execution hereof and prior to the Closing Date: (1) legislation (including any amendments thereto), resolution, rule or regulation (including any amendments thereto) shall be introduced in, considered by or be enacted by any governmental body, department or political subdivision of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series A Bonds on the terms and in the manner contemplated in the Official Statement; (2) the outbreak or declaration of war, institution of a police action, engagement in or escalation of military hostilities by or against the United States, or any escalation of any existing conflict or hostilities in which the United States is involved or the occurrences of any other national emergency or calamity or crisis or any change in financial markets resulting from the foregoing, which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series A Bonds on the terms and in the manner contemplated in the Official Statement; (3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension or material limitation of trading on any national securities exchange which materially adversely affects the market price of the 2007 Series A Bonds; (4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the 2007 Series A Bonds or obligations of the general character of the 2007 Series A Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter which, in the reasonable opinion of the Underwriter would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series A Bonds on the terms and in the manner contemplated in the Official Statement; (5) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf

of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that securities of the general character of the 2007 Series A Bonds, or the 2007 Series A Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the 2007 Series A Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect; (6) action by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon such interest as would be received by the Owners of the 2007 Series A Bonds; (7) (i) legislation (including any amendment thereto) shall have been introduced in or adopted by either House of the Congress of the United States or recommended to the Congress or otherwise endorsed for passage by the President of the United States, the Treasury Department of the United States, the Internal Revenue or the chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff of such committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Internal Revenue Code shall be filed in either house, or (ii) a decision shall have been rendered by any federal or state court, or (iii) an order, filing, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, or (iv) a release or official statement shall have been issued by the President of the United States or by the Treasury Department of the United States or by the Internal Revenue Service, the effect of which, in any such case described in clause (i), (ii), (iii), or (iv), would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the 2007 Series A Bonds or upon income of the general character to be derived by the Redevelopment Agency, other than as imposed on the 2007 Series A Bonds and income therefrom under the federal tax laws in effect on the date hereof, in such a manner as in the judgment of the Underwriter would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series A Bonds on the terms and in the manner contemplated in the Official Statement; (8) the withdrawal or downgrading or any notice of an intended or potential downgrading of any rating of the obligations of the Redevelopment Agency (including the rating to be issued with respect to the 2007 Series A Bonds) by a "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series A Bonds on the terms and in the manner contemplated in the Official Statement; (9) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (10) any change or development involving a prospective change in the condition of the Redevelopment Agency, financial or otherwise, or in the operations of the Redevelopment Agency from those set forth in the Official Statement that makes the 2007 Series A Bonds, in the reasonable judgment of the Underwriter, impracticable or inadvisable to offer, sell or deliver the 2007 Series A Bonds on the terms and in the manner contemplated by the Official Statement; (11) (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange or the Nasdaq National Market; (ii) trading of any securities of the Redevelopment Agency shall have been suspended on any exchange or in any over-the-counter market; (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred; or (iv) any moratorium on commercial banking activities shall have been declared by

Federal or New York State authorities; or (12) the purchase of and payment for the 2007 Series A Bonds by the Underwriter, or the resale of the 2007 Series A Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

**Section 10. Closing Conditions**. The Underwriter hereby enters into this Purchase Agreement in reliance upon the representations and warranties of the Redevelopment Agency contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Redevelopment Agency and the Trustee of their respective obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Purchase Agreement to purchase, to accept delivery of and to pay for the 2007 Series A Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Redevelopment Agency contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Redevelopment Agency and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the Redevelopment Agency and the Trustee of their respective obligations to be performed hereunder and under the Redevelopment Agency Agreements, at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) the Underwriter shall receive, within seven business days after the date hereof, copies of the Official Statement (including all information permitted to have been omitted from the Preliminary Official Statement by the Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) on the Closing Date, the Redevelopment Agency Agreements and the Auction Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms described in the Official Statement, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Redevelopment Agency and the City Council of the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) on the Closing Date, all necessary action of the Redevelopment Agency relating to the execution and delivery of the 2007 Series A Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented;

(d) at or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) *Redevelopment Agency Agreements; Auction Agreements and Approving Resolutions*. The Redevelopment Agency Agreements, the Auction Agreements and the Official Statement, each duly executed and delivered by the respective parties thereto, certified copies of the Redevelopment Agency Resolution, the Authority Resolution, Resolution No. 54-07 adopted by the City Council of the City on June 5, 2007 approving the issuance by the Redevelopment Agency of the 2007 Series A Bonds (the *"City Resolution"*) and Ordinance No. 15-07 N.S. (the "*SB 1096 Ordinance*") introduced by the City Council on May 15, 2007, and approved on May 29, 2007, approving the extension of the effectiveness of the Redevelopment Plan and receipt of tax increment revenue by |three years;

(ii) *Opinion of Bond Counsel.* The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Redevelopment Agency, in substantially the form attached to the Official Statement as Appendix E, together with a letter of Bond Counsel, addressed to the Underwriter and the Bond Insurer to the effect that such opinion may be relied upon by such parties to the same extent as if such opinion were addressed to them;

(iii) *Supplemental Opinion of Bond Counsel.* The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, substantially to the effect that: (A) this Purchase Agreement has been duly authorized, executed and delivered by the Redevelopment Agency and is a valid and binding agreement of the Redevelopment Agency, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights and by the application of equitable principles if equitable remedies are sought; (B) the 2007 Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (C) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Redevelopment Agency; and (D) the statements contained in the Official Statement under the captions "THE 2007A BONDS," "SECURITY FOR THE SERIES 2007A BONDS" and "TAX MATTERS" and contained in APPENDIX B–"SUMMARY OF THE NON-HOUSING INDENTURE," APPENDIX F–"PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS" and APPENDIX J–"AUCTION PROCEDURES," insofar as such statements expressly summarize certain provisions of the 2007 Series A Bonds, the Indenture, and the final opinion of Bond Counsel concerning certain federal tax matters relating to the 2007 Series A Bonds, are accurate in all material respects;

(iv) *Opinion of Redevelopment Agency Counsel.* The opinion of Goldfarb & Lipman LLP, dated the Closing Date and addressed to the Underwriter, to the effect that: (A) the Redevelopment Agency is duly organized and validly existing under the Constitution and laws of the State of California; (B) the Redevelopment Agency Resolution approving and authorizing the execution and delivery of the Redevelopment Agency Agreements was duly adopted at a meeting of the Redevelopment Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) no material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the 2007 Series A Bonds, the corporate existence of the Agency, or the title of the officers of the Agency who will execute the 2007 Series A Bonds as to their respective offices; (D) the execution and delivery of the Redevelopment Agency Agreements and the Official Statement, the adoption of the Resolution, the issuance of the 2007 Series A Bonds and compliance by the Redevelopment Agency with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Redevelopment Agency a breach or default under any agreement or other instrument to which the Redevelopment Agency is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or by any existing law, regulation, court order or consent decree to which the Redevelopment Agency is subject; (E) the Official Statement and the Redevelopment Agency Agreements each have been duly authorized, executed and delivered by the Redevelopment Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Redevelopment Agency enforceable in accordance with the respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights generally and the application of equitable principles if equitable remedies are sought; and (F) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Redevelopment Agency is required for the valid authorization,

execution, delivery and performance by the Redevelopment Agency of the Redevelopment Agency Agreements, or for the adoption of the Resolution which has not been obtained;

(v) *Opinion of Authority Counsel.* An opinion of counsel to the Authority, dated the Closing Date and addressed to the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter substantially to the effect that: (A) The Authority is a joint exercise of powers authority duly created, organized and existing under the laws of the State of California and has full legal right, power and authority to enter into the Purchase Agreement; (B) the resolution of the Authority approving and authorizing the execution and delivery of the Purchase Agreement has been duly adopted, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded; (C) the JPA Agreement and the Purchase Agreement have been duly authorized by the governing board of the Authority and executed on its behalf by an authorized officer of the Authority; (D) the statements contained in the Official Statement under the caption "THE AUTHORITY" do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (E) except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending with respect to which the Authority has been served notice or known to be threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Purchase Agreement or in any way contesting or affecting the validity of the Purchase Agreement or contesting the authority of the Authority to enter into or perform its obligations under the Purchase Agreement.

(vi) *Opinion of City Attorney.* The opinion of the City Attorney, dated the Closing Date and addressed to the City and the Underwriter to the effect that: (A) The City is a charter city and municipal corporation duly organized and validly existing under the Constitution of the State; (B) the City Resolution was duly adopted at a meeting of the City Council which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) the SB 1096 Ordinance was duly introduced and adopted at meetings of the City Council, which meetings were called and held pursuant to law with all public notice required by law and at which quorums were present and acting throughout, the period for filing a legal action to challenge the adoption of the SB 1096 Ordinance has expired, and as of the Closing Date no legal action has been filed and such Ordinance is in full force and effect and has not been amended or appealed; (D) except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, hearing or investigation in which the City has been served with process, or otherwise pending or threatened against the City: (1) in any way challenging or affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such office; or (2) seeking to restrain or enjoin the sale, issuance or delivery of any of the 2007 Series A Bonds, (E) based upon the information made available in the course of review of the Official Statement, but without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing came to the attention of the City Attorney which would lead to the belief that the statements and information contained in APPENDIX A–"ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND" to the Official Statement relating to the City, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

(vii) *Opinion of Disclosure Counsel.* The opinion of Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, on the basis of the information made available to them, no facts came to their attention in connection with

the preparation of the Official Statement which cause them to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data, forecasts, projections, estimates, assumptions and expressions of opinions, statements relating to DTC, Cede & Co. and the operation of the book-entry system, the Bond Insurer, the Bond Insurance Policy, the Reserve Fund Surety Bond, the Swap and the Swap Provider and Appendices A, D, G, H, I and K, as to all of which no view need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, the 2007 Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended;

(viii) *Opinion of Underwriter's Counsel.* The opinion of Lofton & Jennings, Underwriter's Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter, nothing has come to their attention which would cause them to believe that the Official Statement (excluding therefrom the financial statements and the statistical data included in the Official Statement, and the appendices thereto, and information regarding the Bond Insurer, the Insurance Policy and DTC and its book-entry only system, as to which no opinion need be expressed), as of the date thereof and the Closing Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Continuing Disclosure Agreement provides a suitable basis for the Underwriter, in connection with the Offering (as defined in Rule 15c2-12) of the 2007 Series A Bonds to make a reasonable determination as required by section (b)(5) of such Rule;

(ix) *Opinion of Counsel to the Trustee*. The opinion of counsel to the Trustee, dated the Closing Date and addressed to the Underwriter and the Redevelopment Agency, to the effect that: (A) the Trustee has been duly created and is lawfully existing under the laws of the United States of America having all necessary trust powers to perform its duties as Trustee under the Indenture; (B) the Trustee has duly authorized by all necessary corporate action, the execution and delivery of the Indenture and the Auction Agreement, and performance of the Indenture; (C) the Indenture and the Auction Agreement have each been duly executed and delivered by the Trustee and each constitutes a valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its respective terms; (D) the 2007 Series A Bonds have been duly executed and delivered by the Trustee in accordance with the Indenture;

(x) *Opinion of Counsel to Auction Agent.* The opinion of counsel to the Auction Agent, dated the date of closing, addressed to the Redevelopment Agency, the Trustee and the Underwriter, to the effect that the Auction Agent Agreement and the Broker-Dealer Agreement have each been duly executed and delivered by the Auction Agent, and assuming the due authorization, execution and delivery by the other parties thereto, such agreements are the legal, valid and binding agreements of the Auction Agent, enforceable against the Auction Agent in such capacity in accordance with their respective terms except as such enforcement thereof may be limited by bankruptcy, insolvency, arrangement, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally, and by the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding at law or in equity;

(xi) *Opinion of Counsel to the Swap Provider*. An opinion of counsel to the Swap Provider, dated July 12, 2007 and addressed to the Redevelopment Agency with respect to due execution, delivery and enforceability of the Swap Agreement.

(xii) *Certificate of the Redevelopment Agency*. A certificate of the Redevelopment Agency dated the Closing Date, signed by a duly authorized official, in form and substance satisfactory to the Underwriter, to the effect that, to the best of such official's knowledge: (A) the representations and warranties of the Redevelopment Agency contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (B) the Redevelopment Agency has complied with the requirements of the Redevelopment Agency Agreements required to be complied with on and as of the Closing Date with respect to the 2007 Series A Bonds; (C) no event materially adversely affecting the Redevelopment Agency has occurred since the date of the Official Statement; and (D) that the financial statements of the Redevelopment Agency contained in the Official Statement fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, and such officer has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied;

(xiii) *Certificate of the Authority*. A certificate of the Authority signed by an authorized office of the Authority dated the Closing Date to the effect that the information in the Official Statement relating to the Authority under the caption "THE AUTHORITY," as of its date and as of the Closing Date, is true and correct in all material respects;

(xiv) *Certificate of the City*. A certificate of the City signed by an authorized officer of the City dated the Closing Date to the effect that the information relating to the City in APPENDIX A– "ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND" to the Official Statement, as of its date and as of the date of the Closing, is true and correct in all material respects;

(xv) *Certificate of the Trustee*. A certificate of the Trustee dated the Closing Date, signed by a duly authorized official, in form and substance satisfactory to the Underwriter, to the effect that: (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Indenture and the Auction Agreement and to authenticate and deliver the 2007 Series A Bonds to the Underwriter; (B) the Trustee is duly authorized to enter into the Indenture and the Auction Agreement and to execute and deliver the 2007 Series A Bonds to the Underwriter pursuant to the Indenture; (C) the 2007 Series A Bonds will have been duly authenticated and delivered by the Trustee; (D) the execution and delivery of the Indenture and the Auction Agreement and compliance with the provisions on the part of the Trustee contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (E) to the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against it, affecting its existence, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery

of the 2007 Series A Bonds or the collection of revenues to be applied to pay the principal, premium, if any, and interest with respect to the 2007 Series A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture or the Auction Agreement or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the 2007 Series A Bonds, the Indenture or the Auction Agreement or the power and authority of the Trustee to enter into and perform its respective duties under the Indenture and the Auction Agreement and to authenticate and deliver the 2007 Series A Bonds to the Underwriter;

(xvi) *Certificate of the Auction Agent*. A certificate of the Auction Agent, dated the Closing Date, signed by a duly authorized official, satisfactory in form and substance to the Underwriter, to the effect that: (A) the Auction Agent is a national association organized and existing under and by virtue of the laws of the United States of America, with a capitalization of at least $15,000,000, and having the full power and being qualified to enter into and perform its duties under the Auction Agent Agreement and the Broker-Dealer Agreement and as described in the Indenture; (B) to the current actual knowledge of such officer of the Auction Agent, the execution and delivery of the Auction Agent Agreement and the Broker-Dealer Agreement and compliance with the provisions on the part of the Auction Agent contained therein, does not materially conflict with or constitute a material breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Auction Agent is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations); and (C) to the best knowledge of such officer of the Auction Agent, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor to the current actual knowledge of such officer of the Auction Agent, is any such action or other proceeding threatened against the Auction Agent, affecting the existence of the Auction Agent, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or in any way contesting or affecting the validity or enforceability of the Auction Agent Agreement or the Broker-Dealer Agreement, or contesting the powers of the Auction Agent or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Auction Agent Agreement or the Broker-Dealer Agreement, or the power and authority of the Auction Agent to enter into and perform its duties thereunder;

(xvii) *Certificate of the Broker Dealer*. A certificate of the Broker-Dealer, dated the Closing Date, signed by a duly authorized official, satisfactory in form and substance to Bond Counsel, to the effect that: (A) the Broker-Dealer is a corporation organized and existing under and by virtue of the laws of the State of Delaware, having the full power and being qualified to enter into and perform its duties under the Broker-Dealer Agreement and as described in the Indenture; (B) the execution and delivery of the Broker-Dealer Agreement and compliance with the provisions on the part of the Broker-Dealer contained therein and as described in the Indenture, does not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Broker-Dealer is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations); and (C) to the best knowledge of the Broker-Dealer, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Broker-Dealer, affecting the existence of the Broker-Dealer, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or in any way contesting or affecting the validity or enforceability of the Broker-Dealer Agreement, or contesting the powers of the Broker-Dealer or its

authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Broker-Dealer Agreement, or the power and authority of the Broker-Dealer to enter into and perform its duties thereunder;

(xviii) *Certificate of the Fiscal Consultant*. A certificate of Fraser & Associates (the *"Fiscal Consultant"*) to the effect that the report of the Fiscal Consultant dated May 2007 (the *"Report"*) contained in the Official Statement does not contain any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, and consenting to the use of the Report in the Preliminary and Final Official Statements;

(xix) *Swap Agreement*. The Master Agreement and the Confirmations, duly executed by the parties thereto;

(xx) *Rating Letters*. Evidence of an insured rating of "AAA" by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies (*"S&P"*) and of "AAA" by Fitch, Inc. and an uninsured rating of "A-" by S&P being in full force and effect as of the Closing Date;

(xxi) *Bond Insurance and Surety Bond Policies*. The Bond Insurance Policy and Surety bond Policy, each issued by the Bond Insurer;

(xxii) *Opinion of Counsel to the Bond Insurer*. An opinion of Counsel to the Bond Insurer, dated the Closing Date and addressed to the Redevelopment Agency and the Underwriter to the effect that (a) the Bond Insurance Policy and the Surety bond Policy described in the Official Statement are each legal, valid and binding obligations of the Bond Insurer enforceable in accordance with its terms, and (b) the statements in the Preliminary Official Statement and the Official Statement under the caption "DESCRIPTION OF THE INSURER" and contained in APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" accurately reflect and fairly represent the information purported to be shown therein;

(xxiii) *Tax Certificate*. The Tax Certificate of the Redevelopment Agency in form and substance acceptable to Bond Counsel;

(xxiv) *IRS FORM 8038-G*. Evidence that the federal tax information form 8038-G has been prepared for filing;

(xxv) *CDIAC Notices of Sale*. The Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) and 53583 of the California Government Code;

(xxvi) *DTC Blanket Letter of Representations*. The Blanket Letter of Representations of the Redevelopment Agency to the Depository Trust Company, New York, New York, relating to the book-entry only system for the 2007 Series A Bonds; and

(xxvii) *Additional Documents*. Such additional legal opinions, certificates, instruments or evidences thereof and other documents as Disclosure Counsel or Bond Counsel may reasonably request to evidence the due authorization, execution and delivery of the 2007 Series A Bonds and the conformity of the 2007 Series A Bonds and the Indenture with the terms of the 2007 Series A Bonds and as summarized in the Official Statement.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement will be deemed to be in compliance with the provisions hereof if and only if they are in form and substance satisfactory to the Underwriter.

If the Redevelopment Agency or the Authority shall be unable to satisfy the conditions to the Underwriter's obligations to purchase the 2007 Series A Bonds contained in this Purchase Agreement or if the Underwriter's, obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Redevelopment Agency and none of the Underwriter, the Redevelopment Agency or the Authority shall have any further obligations hereunder, except that the respective obligations of the parties set forth in Section 11.

**Section 11. Expenses**. (a) The Underwriter shall be under no obligation to pay, and the Redevelopment Agency shall pay the following expenses incident to the performance of the Redevelopment Agency's obligations hereunder: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) the cost of printing and delivering the 2007 Series A Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to this Purchase Agreement); (iii) the fees and disbursements of Tamalpais Advisors, Inc., as Financial Advisor to the Redevelopment Agency, the Fiscal Consultant, Bond Logistix LLC, as Swap Advisor to the Redevelopment Agency, accountants, rating agencies, advisers and of any other experts or consultants retained by or for the Redevelopment Agency; and (iv) any other expenses and costs of the Redevelopment Agency incident to the performance of its respective obligations in connection with the authorization, issuance and sale of the 2007 Series A Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the 2007 Series A Bonds including, but not limited to: (i) all advertising expenses in connection with the offering of the 2007 Series A Bonds; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the 2007 Series A Bonds (including the fees and disbursements of Underwriter's Counsel, travel and other expenses, fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees and any other fees and expenses), except as provided in (a) above or as otherwise agreed to by the Underwriter and the Redevelopment Agency.

**Section 12. Notices** Any notice or other communication to be given to the Redevelopment Agency or the Authority under this Purchase Agreement may be given by delivering the same in writing at the address of the Redevelopment Agency set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to the Underwriter: RBC Dain Rauscher Inc. dba RBC Capital Markets, 345 California Street, Suite 2800, San Francisco, California 94104, Attention: Robert Williams, Managing Director.

**Section 13. Parties in Interest**. This Purchase Agreement is made solely for the benefit of the Redevelopment Agency and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations and warranties of the parties hereto contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of (a) any investigations made by or on behalf of the Underwriter or the Redevelopment Agency or (b) delivery of and payment for the 2007 Series A Bonds. The agreements contained in Section 11 herein shall survive any termination of this Purchase Agreement.

**Section 14. Severability**. In the event any provision of this Purchase Agreement shall be held or deemed to be invalid, inoperative or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 15. Governing Law; Venue**. This Purchase Agreement shall be governed and interpreted exclusively by and construed in accordance with the laws of the State applicable to contracts made and to be performed in the State. Any and all disputes or legal actions or proceedings arising out of this Purchase Agreement or any document related hereto shall be filed and maintained in a court of competent jurisdiction for matters arising in Contra Costa County, California. By execution of and delivery of this Purchase Agreement, the parties hereto accept and consent to the aforesaid jurisdiction.

**Section 16. Execution in Counterparts.** This Purchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

**Section 17. Entire Agreement**. The parties agree that the terms and conditions of this Purchase Agreement supersede those of all previous agreements between the parties, and that this Purchase Agreement contains the entire agreement between the parties hereto. In the event of a dispute between the parties under this Purchase Agreement, the losing party in such dispute shall pay all reasonable costs and expenses incurred by the prevailing party in connection therewith, including but not limited to attorneys' fees.

**Section 18. Effectiveness**. This Purchase Agreement shall be effective as of the date set forth above upon the execution of the acceptance hereof by authorized officers of the Redevelopment Agency and the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets

By:_____
Authorized Officer

Accepted:

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Authorized Officer

RICHMOND JOINT POWERS FINANCING AUTHORITY

By:_____
Authorized Officer

**Section 18. Effectiveness**. This Purchase Agreement shall be effective as of the date set forth above upon the execution of the acceptance hereof by authorized officers of the Redevelopment Agency and the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets

By:_____
Authorized Officer

Accepted:

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Authorized Officer

RICHMOND JOINT POWERS FINANCING AUTHORITY

By:_____
Authorized Officer

## SCHEDULE I

## PRINCIPAL AMOUNTS, SINKING FUND PAYMENTS, INTEREST RATES, AND INITIAL PUBLIC OFFERING YIELDS AND PRICES

| (September 1) | Principal Amount | Initial Auction Rate[1] | Yield[2] | Price |
|---|---|---|---|---|
| 2036 | $65,400,000 | 3.70% | 3.70% | 100.00% |

(1) The initial Auction Rate will end on August 30, 2007.

(2) The swap rate established for the 2007 Series A Bonds is 3.99%.

**EXHIBIT A**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS)**
**2007 SERIES A**
**(Reset Auction Mode Securities – RAMS™)**

FORM OF THE CERTIFICATE
REGARDING PRELIMINARY OFFICIAL STATEMENT

The undersigned hereby states and certifies:

1. That he is the duly appointed, qualified and acting Executive Director of the Richmond Community Redevelopment Agency (the "Redevelopment Agency") and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") of the captioned Bonds, a Preliminary Official Statement, relative to the captioned Bonds, dated June 19, 2007 (including the cover page through all appendices thereto, in printed form and in electronic form in all material respects consistent with such printed form, the "Preliminary Official Statement"), which the Redevelopment Agency deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The Redevelopment Agency hereby approves the use and distribution by the Underwriter of the Preliminary Official Statement.

Dated: June 19, 2007

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Steve Duran
Executive Director

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

EXECUTION COPY

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**HOUSING SET-ASIDE**
**SUBORDINATE TAX ALLOCATION BONDS**
**(TAXABLE) 2007 SERIES B**

**BOND PURCHASE AGREEMENT**

June 28, 2007

Richmond Community Development Agency
P.O. Box 4046
1401 Marina Way South
Richmond, California 94804

Richmond Joint Powers Financing Authority
P.O. Box 4046
1401 Marina Way South
Richmond, California 94804

Ladies and Gentlemen:

RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the *"Underwriter"*), offers to enter into this Bond Purchase Agreement (the *"Purchase Agreement"*) with the Richmond Community Development Agency (the *"Redevelopment Agency"*) and the Richmond Joint Powers Financing Authority (the "*Authority*"), which, upon acceptance, will be binding upon the Redevelopment Agency, the Authority and the Underwriter. This offer is made subject to acceptance by the Redevelopment Agency and the Authority by execution of this Purchase Agreement and delivery of the same to the Underwriter on or before 11:59 p.m. (California time) on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Redevelopment Agency at any time prior to such acceptance. Upon the acceptance by the Redevelopment Agency and the Authority hereof, this Purchase Agreement will be binding upon the Redevelopment Agency, the Authority and the Underwriter.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth for such terms in the Housing Indenture (defined below) and if not otherwise defined therein, shall have the meanings given to such terms as set forth in the Official Statement (defined below).

**Section 1. Purchase and Sale of the 2007 Series B Bonds**. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Agreement, the Authority agrees to purchase from the Redevelopment Agency and the Underwriter agrees to purchase from the Authority, and the Redevelopment Agency agrees to sell and deliver to the Authority and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the $9,772,621.50 principal amount of the Richmond Community Development Agency Housing Set-Aside Subordinate Tax Allocation Bonds

(Taxable), 2007 Series B (the *"2007 Series B Bonds"*). The 2007 Series B Bonds shall be issued as capital appreciation bonds, dated the date of delivery and shall have the maturities, accrete interest and have the yields to maturity all as set forth on Schedule I attached hereto. The purchase price for the 2007 Series B Bonds shall be $9,650,463.73 (calculated as the principal amount of the 2007 Series B Bonds, less an Underwriter's discount in the amount of $122,157.77).

**Section 2. Preliminary Official Statement**. The Redevelopment Agency has delivered to the Underwriter a Preliminary Official Statement, dated June 19, 2007 (the *"Preliminary Official Statement"*), and will deliver to the Underwriter a final Official Statement dated the date hereof as provided in Section 5 of this Purchase Agreement (as amended and supplemented from time to time pursuant to Section 6(k) of this Purchase Agreement, the *"Official Statement"*). The Redevelopment Agency has delivered to the Underwriter a certificate pursuant to Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") relating to the Preliminary Official Statement, in substantially the form attached hereto as Exhibit A.

**Section 3. Description of the 2007 Series B Bonds**. The 2007 Series B Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, the Indenture, dated as of July 1, 2007 (the *"Master Housing Indenture"*), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "*Supplemental Housing Indenture"* and together with the Master Housing Indenture, the *"Housing Indenture"*), each by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee")

The 2007 Series B Bonds are issued pursuant to the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code, commencing with Section 33000 (the *"Redevelopment Law"*) and Resolution No. 07-09 adopted by the Redevelopment Agency on June 5, 2007 (the *"Redevelopment Agency Resolution"*). The 2007 Series B Bonds shall be payable and subject to redemption as provided in the respective Indenture and as set forth in the Official Statement. The 2007 Series B Bonds are legal, valid and binding limited obligations of the Redevelopment Agency which are payable solely from and secured by a pledge of Subordinate Pledged Tax Revenues, as defined in the Housing Indenture, allocated to the Redevelopment Agency. The 2007 Series B Bonds are issued for the primary purpose of providing funds, together with other lawfully available moneys to: (i) finance certain low and moderate income housing activities of the Redevelopment Agency; (ii) fund a deposit in the reserve account established under the Housing Indenture with respect to the 2007 Series B Bonds; and (iii) pay certain costs associated with the issuance of the 2007 Series B Bonds.

The payment of principal of and interest on the 2007 Series B Bonds when due will be insured by a municipal bond insurance policy (the *"Bond Insurance Policy"*) to be issued by MBIA Insurance Corporation (the *"Bond Insurer"*), simultaneously with the delivery of the 2007 Series B Bonds. The Bond Insurer will also issue a surety bond (the "*Surety Bond Policy*") in the amount of the Reserve Requirement (as defined in the Housing Indenture) for deposit in the reserve account.

**Section 4. Public Offering**. The Underwriter agrees to make a *bona fide* public offering of all the 2007 Series B Bonds at not in excess of the initial public offering prices or yields set forth in Schedule I attached hereto, plus interest accrued thereon, if applicable, from the date of the 2007 Series B Bonds. The Underwriter reserves the right to make concessions to dealers and to change such initial public offering prices or yields as the Underwriter reasonably deems necessary in connection with the marketing of the 2007 Series B Bonds. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the 2007 Series B Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time.

**Section 5. Delivery of Official Statement.** The Redevelopment Agency shall deliver to the Underwriter, as promptly as practical but in no event later than the Closing Date (as defined herein), such number of copies of the final Official Statement, as the Underwriter may reasonably request in order to comply with the Securities and Exchange Commission Rule 15c2-12(b) and the rules of the Municipal Securities Rulemaking Board (the *"MSRB"*).

The Redevelopment Agency hereby authorizes the Underwriter to use the Official Statement and the information contained therein in connection with the offering and sale of the 2007 Series B Bonds and ratifies and confirms the authorization of the use by the Underwriter prior to the date hereof of the Preliminary Official Statement, furnished to the Underwriter by the Redevelopment Agency in connection with such offering and sale.

The Underwriter agrees that from the time the Official Statement becomes available until the earlier of (i) the *"End of the Underwriting Period,"* as defined in Section 6(j) herein, or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, the Underwriter shall send no later than the next business day following a request for a copy thereof, by first class mail or other equally prompt means, to any Potential Customer, as defined in Rule 15c2-12, on request, a single copy of the Official Statement. The Underwriter agrees to file as soon as reasonably practicable a copy of the Official Statement with a nationally recognized municipal securities information repository and take any and all actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the 2007 Series B Bonds to ultimate purchasers.

**Section 6. Representations, Warranties and Covenants of the Redevelopment Agency.** The Redevelopment Agency represents, warrants and covenants with the Underwriter that:

(a) The Redevelopment Agency is a public body corporate and politic, organized and existing under the laws of the State of California (the "*State*"), including the Redevelopment Law, with full right, power and authority to execute, deliver and perform its obligations under the Housing Indenture, the Continuing Disclosure Agreement, dated as of July 1, 2007 (the *"Continuing Disclosure Agreement"*) between the Redevelopment Agency and Union Bank of California, N.A., as Trustee and Dissemination Agent, and substantially in the form attached to the Official Statement as Appendix E, and this Purchase Agreement (collectively, the *"Redevelopment Agency Agreements"*), and to carry out all transactions contemplated by each of the Redevelopment Agency Agreements, the 2007 Series B Bonds and the Official Statement.

(b) By the Redevelopment Agency Resolutions, the Redevelopment Agency has taken all necessary official action to authorize and approve the execution, delivery of, and the performance by the Redevelopment Agency of the obligations contained in, the 2007 Series B Bonds and the Redevelopment Agency Agreements, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded; when executed and delivered, each of the Redevelopment Agency Agreements and the 2007 Series B Bonds will constitute a legally valid and binding obligation of the Redevelopment Agency enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally; the Redevelopment Agency has complied, and will at the Closing be in compliance in all material respects, with the terms of the Redevelopment Agency Agreements; compliance with the provisions of the Redevelopment Agency Agreements will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, administrative regulation, court order or consent decree or any applicable

judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the Redevelopment Agency is a party or may be otherwise subject; and the Redevelopment Agency Resolutions were adopted by a majority of the members of the Board of Directors of the Redevelopment Agency at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout and constitutes all action necessary to be taken by the Redevelopment Agency for the execution, delivery and issuance of the 2007 Series B Bonds, and the execution, delivery and due performance of the Redevelopment Agency Agreements;

(c) at the time of acceptance hereof by the Redevelopment Agency, and (unless an event occurs of the nature described in Section 6(k)) at all times during the period from the date of this Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period for the 2007 Series B Bonds (as determined in accordance with Section 6(j)), the statements and information contained in the Preliminary Official Statement as of its date, and the Official Statement as of its date (excluding the information under the captions "DESCRIPTION OF THE INSURER," and "UNDERWRITING," and contained in APPENDIX D–"BOOK-ENTRY ONLY SYSTEM" and APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY") are true, correct and complete in all material respects and such statements with respect to the Preliminary Official Statement do not, and with respect to the Official Statement will not, omit to state any material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading;

(d) the Redevelopment Agency has, pursuant to the Redevelopment Agency Resolutions, duly authorized and approved the Preliminary Official Statement;

(e) to the best of its knowledge, the Redevelopment Agency is not in violation or breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States of America, or any agency or instrumentality of either of them, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Redevelopment Agency is a party or is otherwise subject, which would constitute a default under any of the Redevelopment Agreements, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both would constitute a violation or a breach of or a default under any such loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Redevelopment Agency is a party or is otherwise subject;

(f) at the date hereof and on the Closing Date, the Redevelopment Agency will be in compliance in all respects with the material covenants and agreements contained in the Redevelopment Agency Agreements and no event of default and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would constitute an event of default thereunder shall have occurred and be continuing;

(g) to the best knowledge of the Redevelopment Agency, after due investigation, other than as set forth in the Official Statement or as the Redevelopment Agency has otherwise disclosed, in writing, to the Underwriter, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or by or before any court, governmental agency, public board or body, pending or threatened against the Redevelopment Agency, (i) wherein an unfavorable decision, ruling or finding would adversely affect the existence of the Redevelopment Agency or the title of any official of the Redevelopment Agency to such person's office, or (ii) seeking to restrain or enjoin the issuance, sale or delivery of the 2007 Series B Bonds, or the assignment by the Redevelopment Agency of its rights under the Housing Indenture, or (iii) in any way contesting or affecting the validity or enforceability of the Redevelopment Agency Agreements or the 2007 Series B Bonds, or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement, or (v) contesting the power of the Redevelopment Agency or its

authority with respect to the 2007 Series B Bonds or the Redevelopment Agency Agreements, or (vi) contesting the exclusion of interest on the 2007 Series B Bonds from gross income for federal and State income tax purposes; wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Redevelopment Agency Agreements or the authorization, execution, delivery or performance by the Redevelopment Agency of the 2007 Series B Bonds or the Redevelopment Agency Agreements;

(h) the Redevelopment Agency will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriter which the Underwriter may reasonably request in order for the Underwriter to qualify the 2007 Series B Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to determine the eligibility of the 2007 Series B Bonds for investment under the laws of such states and other jurisdictions; provided, however, that in no event shall the Redevelopment Agency be required to take any action which would subject it to service of process in any jurisdiction in which it is not now subject;

(i) to the best of knowledge of the Redevelopment Agency, all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the due performance by the Redevelopment Agency of its obligations under the Redevelopment Agency Agreements or the 2007 Series B Bonds have been duly obtained or made, and are, and will be on the Closing Date, in full force and effect;

(j) as used in this Purchase Agreement, the term *"End of the Underwriting Period"* for the 2007 Series B Bonds shall mean the earlier of (i) the Closing Date unless the Redevelopment Agency shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date or (ii) the date on which the End of the Underwriting Period for the 2007 Series B Bonds has occurred under Rule 15c2-12, provided, however, that the Redevelopment Agency may treat as the End of the Underwriting Period for the 2007 Series B Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(k) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2007 Series B Bonds, an event occurs, or facts or conditions become known to the Redevelopment Agency which, in the reasonable opinion of Orrick, Herrington Sutcliffe, LLP (*"Disclosure Counsel"*), or Goldfarb & Lipman LLP, as Counsel to the Redevelopment Agency, might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading in any material respect, the Redevelopment Agency will notify the Underwriter, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Redevelopment Agency will forthwith prepare and furnish to the Underwriter (at the expense of the Redevelopment Agency) a reasonable number of copies of an amendment of or supplement to the Official Statement (in the form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading in any material respect with respect to the information of the Redevelopment Agency. If such notification shall be subsequent to the Closing Date, the Redevelopment Agency shall forthwith provide to the Underwriter such legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this

subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the 2007 Series B Bonds, the Redevelopment Agency will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(l) if the information contained in the Official Statement relating to the Redevelopment Agency is amended or supplemented pursuant to Section 6(k), at the time of such supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the 2007 Series B Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading;

(m) any certificate signed by any officer of the Redevelopment Agency and delivered to the Underwriter pursuant to the Housing Indenture or this Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the Redevelopment Agency to the Underwriter as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(n) to the best knowledge of the Redevelopment Agency, there is no public vote or referendum pending or proposed, the results of which could materially adversely affect the transactions contemplated by the Official Statement or the Redevelopment Agency Agreements or the 2007 Series B Bonds, or the validity or enforceability of the 2007 Series B Bonds;

(o) the Redevelopment Agency will comply with the requirements of the tax certificates executed by the Redevelopment Agency in connection with the delivery of the 2007 Series B Bonds;

(p) the Redevelopment Agency will apply the proceeds from the sale of the 2007 Series B Bonds for the purposes specified in the Housing Indenture;

(q) the financial statements of the Redevelopment Agency contained in the Official Statement as Appendix I fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, and the Redevelopment Agency has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; and

(r) The Redevelopment Agency is currently in compliance with all of its prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12 and at or prior to the Closing Date, the Redevelopment Agency shall have duly authorized, executed and delivered the Continuing Disclosure Agreement.

**Section 7. Representations, Warranties, Covenants and Agreements of the Authority.** The Authority represents and warrants to the Underwriter that:

(a) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State and the Joint Exercise of Powers Agreement dated December 1, 1989 (the *"JPA Agreement"*) between the City of Richmond (the *"City"*) and the Redevelopment Agency, and has all necessary power and authority to adopt the Authority Resolution (defined below) to enter into and perform its duties under the Purchase Agreement and, when executed and delivered by the other parties thereto, this Purchase Agreement will constitute a legal, valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms.

(b) The Authority has, by a resolution(the *"Authority Resolution"*) adopted by a majority of the members of the Board of Directors of the Authority at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on June 5, 2007, taken all official action necessary to be taken by it for the execution, delivery and due performance by the Authority of this Purchase Agreement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(c) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority with respect to which the Authority has been served with process, or, to the best knowledge of the city, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers, (ii) enjoin or restrain the purchase of the 2007 Series B Bonds from the Redevelopment Agency, (iii) in any way question or affect any authority for the sale of the 2007 Series B Bonds to the Underwriter, or the validity or enforceability of the 2007 Series B Bonds or the Purchase Agreement, or (iv) in any way question or affect the Purchase Agreement or the transactions contemplated by the Purchase Agreement, the Official Statement or any other agreement or instrument to which the Authority is a party relating to the 2007 Series B Bonds.

**Section 8. Closing**. At 8:00 A.M., California time, on July 12, 2007, or on such earlier or later date as may be mutually agreed upon by parties hereto (the *"Closing Date"*), the Redevelopment Agency, will deliver or cause to be delivered to the Underwriter the duly executed Bonds through the facilities of The Depository Trust Company in New York, New York ("DTC") by the initial deposit with the Trustee (in care of DTC) through the Fast Automated Securities Transfer System, and will deliver or cause to be delivered at the offices of Orrick, Herrington & Sutcliffe LLP (*"Bond Counsel"*) in San Francisco, California, or such other place as shall have been mutually agreed upon by the parties, the other documents described herein; and the Underwriter shall pay the purchase price of the 2007 Series B Bonds as set forth in Section 1 of this Purchase Agreement to the order of the Trustee in immediately available funds, less the premium for the Bond Insurance Policy in the amount of $109,000 and less the premium for the Surety Bond Policy in the amount of $18,000, which the Underwriter will wire directly to the Bond Insurer.

The 2007 Series B Bonds shall be issued in fully registered form. It is anticipated that CUSIP identification numbers will be inserted on the 2007 Series B Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the 2007 Series B Bonds in accordance with the terms of this Purchase Agreement.

**Section 9. Termination**. The Underwriter shall have the right to terminate the obligations of the Underwriter under this Purchase Agreement to purchase, to accept delivery of and to pay for the 2007 Series B Bonds by notifying the Redevelopment Agency of its election to do so if, after the execution hereof and prior to the Closing Date: (1) legislation (including any amendments thereto), resolution, rule or regulation (including any amendments thereto) shall be introduced in, considered by or be enacted by any governmental body, department or political subdivision of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series B Bonds on the terms and in the manner contemplated in the Official Statement; (2) the outbreak or declaration of war, institution of a police action, engagement in or escalation of military hostilities by or against the United States, or any escalation of any existing conflict or hostilities in which the United States is involved or the occurrences of any other national emergency or calamity or crisis or any change in financial markets resulting from the foregoing, which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series B Bonds on the terms and in the manner contemplated in the Official Statement; (3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension or material limitation of trading on any national securities exchange which materially adversely affects the market price of the 2007 Series B Bonds; (4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the 2007 Series B Bonds or obligations of the general character of the 2007 Series B Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter which, in the reasonable opinion of the Underwriter would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series B Bonds on the terms and in the manner contemplated in the Official Statement; (5) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that securities of the general character of the 2007 Series B Bonds, or the 2007 Series B Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Housing Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the 2007 Series B Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect; (6) action by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon such interest as would be received by the Owners of the 2007 Series B Bonds; (7) the withdrawal or downgrading or any notice of an intended or potential downgrading of any rating of the obligations of the Redevelopment Agency (including the rating to be issued with respect to the 2007 Series B Bonds) by a "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the 2007 Series B Bonds on the terms and in the manner contemplated in the Official Statement; (8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (9) any change or development involving a prospective change in the condition of the

Redevelopment Agency, financial or otherwise, or in the operations of the Redevelopment Agency from those set forth in the Official Statement that makes the 2007 Series B Bonds, in the reasonable judgment of the Underwriter, impracticable or inadvisable to offer, sell or deliver the 2007 Series B Bonds on the terms and in the manner contemplated by the Official Statement; (10) (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange or the Nasdaq National Market; (ii) trading of any securities of the Redevelopment Agency shall have been suspended on any exchange or in any over-the-counter market; (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred; or (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities; or (11) the purchase of and payment for the 2007 Series B Bonds by the Underwriter, or the resale of the 2007 Series B Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

**Section 10. Closing Conditions**. The Underwriter hereby enters into this Purchase Agreement in reliance upon the representations and warranties of the Redevelopment Agency contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Redevelopment Agency and the Trustee of their respective obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Purchase Agreement to purchase, to accept delivery of and to pay for the 2007 Series B Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Redevelopment Agency contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Redevelopment Agency and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the Redevelopment Agency and the Trustee of their respective obligations to be performed hereunder and under the Redevelopment Agency Agreements, at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) the Underwriter shall receive, within seven business days after the date hereof, copies of the Official Statement (including all information permitted to have been omitted from the Preliminary Official Statement by the Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) on the Closing Date, the Redevelopment Agency Agreements shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms described in the Official Statement, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Redevelopment Agency and the City Council of the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) on the Closing Date, all necessary action of the Redevelopment Agency relating to the execution and delivery of the 2007 Series B Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented;

(d) at or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) *Redevelopment Agency Agreements and Approving Resolutions.* The Redevelopment Agency Agreements, and the Official Statement, each duly executed and delivered by the respective parties thereto, certified copies of the Redevelopment Agency Resolutions, the Authority Resolution, Resolution No. 54-07 adopted by the City Council of the City on June 5, 2007 approving the issuance by the Redevelopment Agency of the 2007 Series B Bonds (the *"City Resolution"*) and Ordinance No. 15-07N.S. (the "*SB 1096 Ordinance*") introduced by the City Council on May 15, 2007, and approved on May 29, 2007, approving the extension of the effectiveness of the Redevelopment Plan and receipt of tax increment revenue by |three years;

(ii) *Opinion of Bond Counsel.* The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Redevelopment Agency, in substantially the form attached to the Official Statement as Appendix E, together with a letter of Bond Counsel, addressed to the Underwriter and the Bond Insurer to the effect that such opinion may be relied upon by such parties to the same extent as if such opinion were addressed to them;

(iii) *Supplemental Opinion of Bond Counsel.* The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, substantially to the effect that: (A) this Purchase Agreement has been duly authorized, executed and delivered by the Redevelopment Agency and is a valid and binding agreement of the Redevelopment Agency, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights and by the application of equitable principles if equitable remedies are sought; (B) the 2007 Series B Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Housing Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (C) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Redevelopment Agency; and (D) the statements contained in the Official Statement under the captions "THE 2007B BONDS," "SECURITY FOR THE B BONDS" and "TAX MATTERS" and contained in APPENDIX C–"SUMMARY OF THE HOUSING INDENTURE," and APPENDIX F–"PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS" insofar as such statements expressly summarize certain provisions of the 2007 Series B Bonds, the Housing Indenture, and the final opinion of Bond Counsel concerning certain tax matters relating to the 2007 Series B Bonds, are accurate in all material respects;

(iv) *Opinion of Redevelopment Agency Counsel.* The opinion of Goldfarb & Lipman LLP, dated the Closing Date and addressed to the Underwriter, to the effect that: (A) the Redevelopment Agency is duly organized and validly existing under the Constitution and laws of the State of California; (B) the Redevelopment Agency Resolutions approving and authorizing the execution and delivery of the Redevelopment Agency Agreements was duly adopted at a meeting of the Redevelopment Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) no material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the 2007 Series B Bonds, the corporate existence of the Agency, or the title of the officers of the Agency who will execute the 2007 Series B Bonds as to their respective offices; (D) the execution and delivery of the Redevelopment Agency Agreements and the Official Statement, the adoption of the Resolution, the issuance of the 2007 Series B Bonds and compliance by the Redevelopment Agency with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Redevelopment Agency a breach or default under any agreement or other instrument to which the Redevelopment Agency is a party (and of which such counsel is aware after reasonable investigation) or

by which it is bound (and of which such counsel is aware after reasonable investigation) or by any existing law, regulation, court order or consent decree to which the Redevelopment Agency is subject; (E) the Official Statement and the Redevelopment Agency Agreements each have been duly authorized, executed and delivered by the Redevelopment Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Redevelopment Agency enforceable in accordance with the respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights generally and the application of equitable principles if equitable remedies are sought; and (F) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Redevelopment Agency is required for the valid authorization, execution, delivery and performance by the Redevelopment Agency of the Redevelopment Agency Agreements, or for the adoption of the Resolution which has not been obtained;

(v) *Opinion of Authority Counsel.* An opinion of counsel to the Authority, dated the Closing Date and addressed to the Underwriter, in form and substance acceptable to Bond Counsel and the Underwriter substantially to the effect that: (A) The Authority is a joint exercise of powers authority duly created, organized and existing under the laws of the State of California and has full legal right, power and authority to enter into the Purchase Agreement; (B) the resolution of the Authority approving and authorizing the execution and delivery of the Purchase Agreement has been duly adopted, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded; (C) the JPA Agreement and the Purchase Agreement have been duly authorized by the governing board of the Authority and executed on its behalf by an authorized officer of the Authority; (D) the statements contained in the Official Statement under the caption "THE AUTHORITY" do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (E) except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending with respect to which the Authority has been served notice or known to be threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Purchase Agreement or in any way contesting or affecting the validity of the Purchase Agreement or contesting the authority of the Authority to enter into or perform its obligations under the Purchase Agreement.

(vi) *Opinion of City Attorney.* The opinion of the City Attorney, dated the Closing Date and addressed to the City and the Underwriter to the effect that: (A) The City is a charter city and municipal corporation duly organized and validly existing under the Constitution of the State; (B) the City Resolution was duly adopted at a meeting of the City Council which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) the SB 1096 Ordinance was duly introduced and adopted at meetings of the City Council, which meetings were called and held pursuant to law with all public notice required by law and at which quorums were present and acting throughout, the period for filing a legal action to challenge the adoption of the SB 1096 Ordinance expired and as of the Closing Date no legal action has been filed and such Ordinance is in full force and effect and has not been amended or appealed; (D) except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, hearing or investigation in which the City has been served with process, or otherwise pending or threatened against the City: (1) in any way challenging or affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such office; or (2) seeking to restrain or enjoin the sale, issuance or delivery of any of the 2007 Series B Bonds, (E) based upon the information made available in the course of review of the Official Statement, but without having undertaken to determine independently or assuming any responsibility for the accuracy,

completeness or fairness of the statements contained in the Official Statement, nothing came to the attention of the City Attorney which would lead to the belief that the statements and information contained in APPENDIX A–"ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND" to the Official Statement relating to the City, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

(vii) *Opinion of Disclosure Counsel.* The opinion of Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, on the basis of the information made available to them, no facts came to their attention in connection with the preparation of the Official Statement which cause them to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data, forecasts, projections, estimates, assumptions and expressions of opinions, statements relating to DTC, Cede & Co. and the operation of the book-entry system, the Bond Insurer, the Bond Insurance Policy, the Reserve Fund Surety Bond and the Swap Provider, and Appendices A, D, G, H, I and K, as to all of which no view need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, the 2007 Series B Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended;

(viii) *Opinion of Underwriter's Counsel.* The opinion of Lofton & Jennings, Underwriter's Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter, nothing has come to their attention which would cause them to believe that the Official Statement (excluding therefrom the financial statements and the statistical data included in the Official Statement, and the appendices thereto, and information regarding the Bond Insurer, the Insurance Policy and DTC and its book-entry only system, as to which no opinion need be expressed), as of the date thereof and the Closing Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Continuing Disclosure Agreement provides a suitable basis for the Underwriter, in connection with the Offering (as defined in Rule 15c2-12) of the 2007 Series B Bonds to make a reasonable determination as required by section (b)(5) of such Rule;

(ix) *Opinion of Counsel to the Trustee.* The opinion of counsel to the Trustee, dated the Closing Date and addressed to the Underwriter and the Redevelopment Agency, to the effect that: (A) the Trustee duly created and lawfully existing under the laws of the United States of America to all necessary trust powers to perform its duties as Trustee under the Housing Indenture; (B) the Trustee has duly authorized by all necessary corporate action, the execution and delivery of the First Supplement, and the performance of the Housing Indenture; (C) the Housing Indenture has been duly executed and delivered by the Trustee and constitutes a valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its respective terms; (D) the 2007 Series B Bonds have been duly executed and delivered by the Trustee in accordance with the Housing Indenture;

(x) *Certificate of the Redevelopment Agency*. A certificate of the Redevelopment Agency dated the Closing Date, signed by a duly authorized official, in form and substance satisfactory to the Underwriter, to the effect that, to the best of such official's knowledge: (A) the representations and warranties of the Redevelopment Agency contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (B) the Redevelopment Agency has complied with the requirements of the Redevelopment Agency Agreements required to be complied with on and as of the Closing Date with respect to the 2007 Series B Bonds; (C) no event materially adversely affecting the Redevelopment Agency has occurred since the date of the Official Statement; and (D) that the financial statements of the Redevelopment Agency contained in the Official Statement fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, and such officer has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied;

(xi) *Certificate of the Authority*. A certificate of the Authority signed by an authorized office of the Authority dated the Closing Date to the effect that the information in the Official Statement relating to the Authority under the caption "THE AUTHORITY," as of its date and as of the Closing Date, is true and correct in all material respects;

(xii) *Certificate of the City*. A certificate of the City signed by an authorized officer of the City dated the Closing Date to the effect that the information relating to the City in APPENDIX A– "ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND" to the Official Statement, as of its date and as of the date of the Closing, is true and correct in all material respects;

(xiii) *Certificate of the Trustee*. A certificate of the Trustee dated the Closing Date, signed by a duly authorized official, in form and substance satisfactory to the Underwriter, to the effect that: (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Housing Indenture and to authenticate and deliver the 2007 Series B Bonds to the Underwriter; (B) the Trustee is duly authorized to enter into the First Supplement and to execute and deliver the 2007 Series B Bonds to the Underwriter pursuant to the Housing Indenture; (C) the 2007 Series B Bonds will have been duly authenticated and delivered by the Trustee; (D) the execution and delivery of the First Supplement and compliance with the provisions on the part of the Trustee contained in the Housing Indenture, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Housing Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Housing Indenture; and (E) to the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against it, affecting its existence, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of the 2007 Series B Bonds or the collection of revenues to be applied to pay the principal, premium, if any, and interest with respect to the 2007 Series B Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Housing Indenture or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an

unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the 2007 Series B Bonds or the Housing Indenture or the power and authority of the Trustee to enter into and perform its respective duties under the Housing Indenture and to authenticate and deliver the 2007 Series B Bonds to the Underwriter;

(xiv) *Certificate of the Fiscal Consultant*. A certificate of Fraser & Associates (the *"Fiscal Consultant"*) to the effect that the report of the Fiscal Consultant dated May 2007 (the *"Report"*) contained in the Official Statement does not contain any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, and consenting to the use of the Report in the Preliminary and Final Official Statements;

(xv) *Rating Letters*. Evidence of an insured rating of "AAA" by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies (*"S&P"*) and of "AAA" by Fitch, Inc. and an uninsured rating of "A-" by S&P being in full force and effect as of the Closing Date;

(xvi) *Bond Insurance and Surety Bond Policies*. The Bond Insurance Policy and the Surety Bond Policy, each issued by the Bond Insurer;

(xvii) *Opinion of Counsel to the Bond Insurer*. An opinion of Counsel to the Bond Insurer, dated the Closing Date and addressed to the Redevelopment Agency and the Underwriter to the effect that (a) the Bond Insurance Policy and the Surety Bond Policy described in the Official Statement are each legal, valid and binding obligations of the Bond Insurer enforceable in accordance with their respective terms, and (b) the statements in the Preliminary Official Statement and the Official Statement under the caption "DESCRIPTION OF THE INSURER" and contained in APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES" accurately reflect and fairly represent the information purported to be shown therein;

(xviii) *IRS FORM 8038-G*. Evidence that the federal tax information form 8038-G has been prepared for filing;

(xix) *CDIAC Notices of Sale*. The Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) and 53583 of the California Government Code;

(xx) *DTC Blanket Letter of Representations*. The Blanket Letter of Representations of the Redevelopment Agency to the Depository Trust Company, New York, New York, relating to the book-entry only system for the 2007 Series B Bonds; and

(xxi) *Additional Documents*. Such additional legal opinions, certificates, instruments or evidences thereof and other documents as Disclosure Counsel or Bond Counsel may reasonably request to evidence the due authorization, execution and delivery of the 2007 Series B Bonds and the conformity of the 2007 Series B Bonds and the Housing Indenture with the terms of the 2007 Series B Bonds and as summarized in the Official Statement.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement will be deemed to be in compliance with the provisions hereof if and only if they are in form and substance satisfactory to the Underwriter.

If the Redevelopment Agency or the Authority shall be unable to satisfy the conditions to the Underwriter's obligations to purchase the 2007 Series B Bonds contained in this Purchase Agreement or if the Underwriter's, obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Redevelopment Agency and none of the Underwriter, the Redevelopment Agency or the Authority shall have any further obligations hereunder, except that the respective obligations of the parties set forth in Section 11.

**Section 11. Expenses**. (a) The Underwriter shall be under no obligation to pay, and the Redevelopment Agency shall pay the following expenses incident to the performance of the Redevelopment Agency's obligations hereunder: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) the cost of printing and delivering the 2007 Series B Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to this Purchase Agreement); (iii) the fees and disbursements of Tamalpais Advisors, Inc., as Financial Advisor to the Redevelopment Agency, the Fiscal Consultant, accountants, rating agencies, advisers and of any other experts or consultants retained by or for the Redevelopment Agency; and (iv) any other expenses and costs of the Redevelopment Agency incident to the performance of its respective obligations in connection with the authorization, issuance and sale of the 2007 Series B Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the 2007 Series B Bonds including, but not limited to: (i) all advertising expenses in connection with the offering of the 2007 Series B Bonds; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the 2007 Series B Bonds (including the fees and disbursements of Underwriter's Counsel, travel and other expenses, fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees and any other fees and expenses), except as provided in (a) above or as otherwise agreed to by the Underwriter and the Redevelopment Agency.

**Section 12. Notices** Any notice or other communication to be given to the Redevelopment Agency or the Authority under this Purchase Agreement may be given by delivering the same in writing at the address of the Redevelopment Agency set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to the Underwriter: RBC Dain Rauscher Inc. dba RBC Capital Markets, Inc., 345 California Street, Suite 2800, San Francisco, California 94104, Attention: Robert Williams, Managing Director.

**Section 13. Parties in Interest**. This Purchase Agreement is made solely for the benefit of the Redevelopment Agency and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations and warranties of the parties hereto contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of (a) any investigations made by or on behalf of the Underwriter or the Redevelopment Agency or (b) delivery of and payment for the 2007 Series B Bonds. The agreements contained in Section 11 herein shall survive any termination of this Purchase Agreement.

**Section 14. Severability**. In the event any provision of this Purchase Agreement shall be held or deemed to be invalid, inoperative or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 15. Governing Law; Venue**. This Purchase Agreement shall be governed and interpreted exclusively by and construed in accordance with the laws of the State applicable to contracts made and to be performed in the State. Any and all disputes or legal actions or proceedings arising out of this Purchase Agreement or any document related hereto shall be filed and maintained in a court of competent jurisdiction for matters arising in Contra Costa County, California. By execution of and delivery of this Purchase Agreement, the parties hereto accept and consent to the aforesaid jurisdiction.

**Section 16. Execution in Counterparts.** This Purchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

**Section 17. Entire Agreement**. The parties agree that the terms and conditions of this Purchase Agreement supersede those of all previous agreements between the parties, and that this Purchase Agreement contains the entire agreement between the parties hereto. In the event of a dispute between the parties under this Purchase Agreement, the losing party in such dispute shall pay all reasonable costs and expenses incurred by the prevailing party in connection therewith, including but not limited to attorneys' fees.

**Section 18. Effectiveness.** This Purchase Agreement shall be effective as of the date set forth above upon the execution of the acceptance hereof by authorized officers of the Redevelopment Agency and the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets

By:_____
Robert Williams
Managing Director

Accepted:

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Authorized Officer

RICHMOND JOINT POWERS FINANCING AUTHORITY

By:_____
Authorized Officer

**Section 18. Effectiveness.** This Purchase Agreement shall be effective as of the date set forth above upon the execution of the acceptance hereof by authorized officers of the Redevelopment Agency and the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets

By:_____
Robert Williams
Managing Director

Accepted:

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Authorized Officer

RICHMOND JOINT POWERS FINANCING AUTHORITY

By:_____
Authorized Officer

## SCHEDULE I

## INITIAL PRINCIPAL AMOUNTS, MATURITY VALUE, INITIAL PUBLIC OFFERING YIELDS AND PRICES

| Maturity (September 1) | Initial Principal Amount | Maturity Value | Yield to Maturity Value | Price |
|---|---|---|---|---|
| 2008 | $436,862.85 | $465,000 | 5.57% | 93.949% |
| 2009 | 475,261.90 | 535,000 | 5.62 | 88.834 |
| 2010 | 486,272.00 | 580,000 | 5.70 | 83.840 |
| 2011 | 494,962.50 | 625,000 | 5.72 | 79.194 |
| 2012 | 503,482.50 | 675,000 | 5.79 | 74.590 |
| 2013 | 508,341.00 | 725,000 | 5.87 | 70.116 |
| 2017 | 514,549.20 | 935,000 | 5.98 | 55.032 |
| 2018 | 510,869.70 | 990,000 | 6.03 | 51.603 |
| 2019 | 504,524.80 | 1,040,000 | 6.05 | 48.512 |
| 2020 | 643,442.95 | 1,415,000 | 6.09 | 45.473 |
| 2021 | 438,677.00 | 1,030,000 | 6.13 | 42.590 |
| 2022 | 432,481.00 | 1,085,000 | 6.17 | 39.860 |
| 2023 | 427,474.30 | 1,145,000 | 6.20 | 37.334 |
| 2024 | 412,695.25 | 1,175,000 | 6.20 | 35.123 |
| 2025 | 405,703.20 | 1,230,000 | 6.21 | 32.984 |
| 2026 | 397,964.50 | 1,285,000 | 6.22 | 30.970 |
| 2027 | 587,274.60 | 2,020,000 | 6.23 | 29.073 |
| 2028 | 226,482.10 | 830,000 | 6.24 | 27.287 |
| 2029 | 212,073.30 | 830,000 | 6.26 | 25.551 |
| 2030 | 199,698.60 | 835,000 | 6.28 | 23.916 |
| 2031 | 186,847.95 | 835,000 | 6.30 | 22.377 |
| 2032 | 174,757.15 | 835,000 | 6.32 | 20.929 |
| 2033 | 163,384.45 | 835,000 | 6.34 | 19.567 |
| 2034 | 152,688.10 | 835,000 | 6.36 | 18.286 |
| 2035 | 142,643.05 | 835,000 | 6.38 | 17.083 |
| 2036 | 133,207.55 | 835,000 | 6.40 | 15.953 |
| TOTAL | $9,772,621.50 | $24,460,000 | | |

**EXHIBIT A**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**HOUSING SET-ASIDE**
**SUBORDINATE TAX ALLOCATION BONDS**
**(TAXABLE) 2007 SERIES B**

FORM OF THE CERTIFICATE
REGARDING PRELIMINARY OFFICIAL STATEMENT

The undersigned hereby states and certifies:

1. That he is the duly appointed, qualified and acting Executive Director of the Richmond Community Redevelopment Agency (the "Redevelopment Agency") and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") of the captioned Bonds, a Preliminary Official Statement, relative to the captioned Bonds, dated June 19, 2007 (including the cover page through all appendices thereto, in printed form and in electronic form in all material respects consistent with such printed form, the "Preliminary Official Statement"), which the Redevelopment Agency, deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The Redevelopment Agency hereby approves the use and distribution by the Underwriter of the Preliminary Official Statement.

Dated: June 19, 2007

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Steve Duran
Executive Director

NEW ISSUE--BOOK ENTRY ONLY

**Ratings: S&P: "AAA" (Insured)**
**"A-" (Uninsured)**
**Fitch: "AAA" (Insured)**
**See "RATINGS" herein**

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

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

# RICHMOND COMMUNITY REDEVELOPMENT AGENCY
## (Richmond, California)

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

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

**Dated:** Date of Delivery

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

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

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

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

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

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

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

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

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

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

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




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

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

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

## RBC CAPITAL MARKETS

Dated June 28, 2007

* RAMS™ is a trademark of RBC Dain Rauscher Inc

## MATURITY SCHEDULE

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

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

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

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

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

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

---

## GOVERNING BOARD/CITY COUNCIL

Gayle McLaughlin
*Chair/Mayor*

Nathaniel Bates
*Vice Chair/Vice Mayor*

Tom Butt
*Board Member/Councilmember*

John E. Marquez
*Board Member/Councilmember*

Harpreet Sandhu
*Board Member/Councilmember*

Maria Viramontes
*Board Member/Councilmember*

Ludmyrna Lopez
*Board Member/Councilmember*

Jim Rogers
*Board Member/Councilmember*

Tony K. Thurmond
*Board Member/Councilmember*

## AGENCY AND CITY ADMINISTRATION

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

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

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

Louise Renne
*Interim City Attorney*

## PROFESSIONAL SERVICES

*Bond Counsel and Disclosure Counsel*
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

*Agency Counsel*
Goldfarb & Lipman LLP
Oakland, California

*Fiscal Consultant*
Fraser & Associates
Roseville, California

*Financial Advisor*
Tamalpais Advisors, Inc.
Sausalito, California

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

*Auction Agent*
Wells Fargo Bank, N.A.

[THIS PAGE INTENTIONALLY LEFT BLANK]

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the Agency or the City. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Agency or the City since the date hereof. All summaries contained herein of the Indenture and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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

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

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

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

## TABLE OF CONTENTS

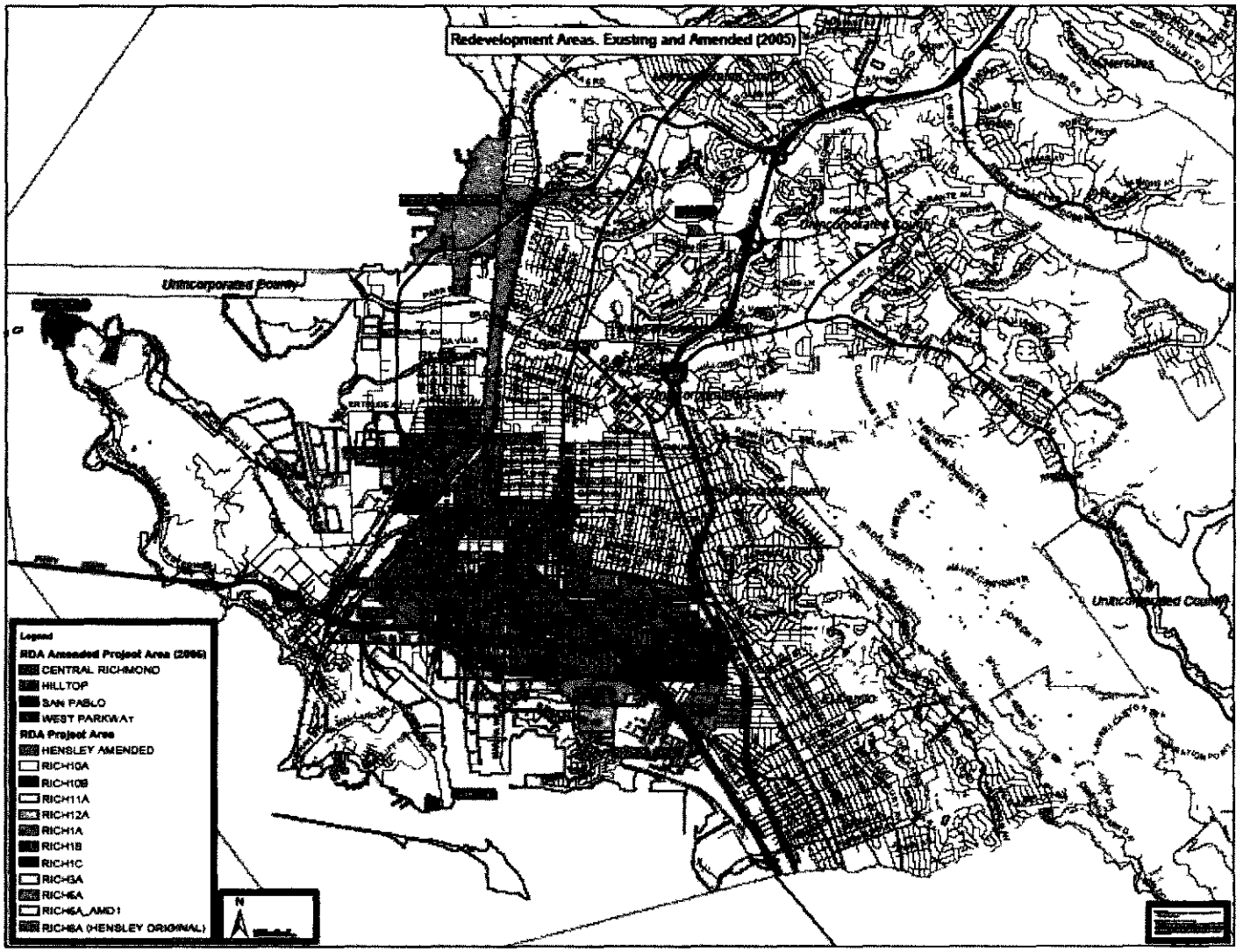

| | Page |
|---|---|
| INTRODUCTION | 1 |
| Legal Authority | 1 |
| Financing Purpose | 2 |
| Tax Allocation Financing | 2 |
| Security for the Bonds | 2 |
| Fiscal Consultant Report | 5 |
| Other Information | 5 |
| PURPOSE OF THE BONDS | 5 |
| ESTIMATED SOURCES AND USES OF FUNDS | 6 |
| THE 2007A BONDS | 7 |
| Authority for Issuance | 7 |
| Maturity Date; Registered Ownership | 7 |
| General Terms of Auction Rate Bonds | 7 |
| Payments on Auction Rate Bonds | 8 |
| Calculation of Auction Rate | 8 |
| Auction Periods | 9 |
| Changes in Auction Period or Auction Date | 10 |
| Initial Auction Agent, Broker-Dealer and Market Agent | 11 |
| Redemption for the Series 2007A Bonds | 12 |
| Notice of Redemption | 13 |
| CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES | 15 |
| Role of Broker-Dealer | 15 |
| Bidding by Initial Broker-Dealer | 16 |
| Auction Dealer Fees | 17 |
| Price Talk | 17 |
| All-or-Nothing Bids | 17 |
| No Assurances Regarding Auction Outcomes | 17 |
| Deadlines/Auction Periods | 18 |
| Existing Holder's Ability to Resell Auction Rate Securities May Be Limited | 18 |
| Resignation of the Auction Agent Under the Auction Agent Agreement or the Broker-Dealer Under the Broker-Dealer Agreement Could Impact the Ability to Hold Auctions | 19 |
| Securities and Exchange Commission Settlements | 19 |
| THE 2007B BONDS | 19 |
| Authority for Issuance | 19 |
| Description of the Series 2007B Bonds | 20 |
| Redemption for the Series 2007B Bonds | 21 |
| TAX ALLOCATION FINANCING | 21 |
| General | 21 |
| Allocation of Taxes | 22 |
| SECURITY FOR THE SERIES 2007A BONDS | 23 |
| Pledge of Subordinate Non-Housing Pledged Tax Revenues | 23 |
| Non-Housing Debt Service Reserve Account | 24 |
| Outstanding Non-Housing Senior Obligations | 25 |
| Outstanding Non-Housing Parity Obligations | 27 |
| Additional Non-Housing Bonds and Other Non-Housing Parity Obligations | 27 |
| Subordinated Non-Housing Obligations | 29 |
| SECURITY FOR THE SERIES 2007B BONDS | 29 |

Pledge of Subordinate Housing Pledged Tax Revenues ..... 29
Housing Debt Service Reserve Account ..... 30
Outstanding Housing Senior Obligations ..... 31
Outstanding Housing Parity Obligations ..... 32
Additional Housing Bonds and Other Housing Parity Obligations ..... 32
Subordinated Housing Obligations ..... 33
DESCRIPTION OF THE INSURER ..... 34
THE AGENCY ..... 38
Financial Statements ..... 38
Swap Policy ..... 38
Governance and Administration ..... 38
Recent Ratings Changes ..... 40
THE MERGED PROJECT AREA ..... 40
Redevelopment Plans ..... 40
Merger and Amendment of the Project Areas ..... 41
Redevelopment Plan Limitations and Land Usage ..... 41
The Constituent Project Areas ..... 43
Tax Collection Agreement ..... 48
Taxable Values and Tax Increment Revenues ..... 48
PROJECTED DEBT SERVICE COVERAGE ..... 53
Statement of Direct and Overlapping Debt ..... 58
BOND OWNERS' RISKS ..... 60
Concentration of Tax Base ..... 60
Estimates of Tax Increment Revenues ..... 60
Appeals and Other Reductions to Assessed Values ..... 60
Bankruptcy and Foreclosure ..... 61
Investment Risk ..... 62
Development Risks ..... 62
Earthquake Risks ..... 62
Brownfields ..... 63
Levy and Collection of Taxes ..... 63
Reductions in Inflationary Rate ..... 63
State Budgets ..... 63
Parity Debt ..... 64
Changes in the Law ..... 64
Hazardous Substances ..... 65
LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS ..... 65
Article XIIIA of the California Constitution ..... 65
Article XIIIB of the California Constitution ..... 66
Articles XIIIC and XIIID of the California Constitution ..... 67
Proposition 87 ..... 67
Further Initiatives ..... 68
Property Tax Collection Procedures ..... 68
Unitary Property ..... 70
Low and Moderate Income Housing Fund ..... 71
Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290) ..... 72
SB 211 ..... 73
TAX MATTERS ..... 73
Series 2007A Bonds ..... 74
Series 2007B Bonds ..... 75
Tax Status of the Series 2007B Bonds ..... 76

Sale and Exchange of Series 2007B Bonds ..... 76
Foreign Investors ..... 76
Circular 230 ..... 77
NO LITIGATION ..... 77
THE AUTHORITY ..... 77
UNDERWRITING ..... 77
CONTINUING DISCLOSURE ..... 78
APPROVAL OF LEGALITY ..... 78
FINANCIAL ADVISOR ..... 78
RATINGS ..... 79
MISCELLANEOUS ..... 79

APPENDIX A ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND ..... A-1
APPENDIX B SUMMARY OF THE NON-HOUSING INDENTURE ..... B-1
APPENDIX C SUMMARY OF THE HOUSING INDENTURE ..... C-1
APPENDIX D BOOK ENTRY ONLY SYSTEM ..... D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT ..... E-1
APPENDIX F PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS ..... F-1
APPENDIX G SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES ..... G-1
APPENDIX H FISCAL CONSULTANT REPORT ..... H-1
APPENDIX I BASIC FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDING JUNE 30, 2006 ..... I-1
APPENDIX J AUCTION PROCEDURES ..... J-1
APPENDIX K TABLE OF ACCRETED VALUES ..... K-1

# MERGED PROJECT AREA MAP



# OFFICIAL STATEMENT

## RICHMOND COMMUNITY REDEVELOPMENT AGENCY

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

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

## INTRODUCTION

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

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

### Legal Authority

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

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

* RAMS™ is a trademark of RBC Dain Rauscher Inc

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

**Financing Purpose**

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

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

**Tax Allocation Financing**

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

**Security for the Bonds**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Fiscal Consultant Report**

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

**Other Information**

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

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

## PURPOSE OF THE BONDS

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

## ESTIMATED SOURCES AND USES OF FUNDS

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

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

## THE 2007A BONDS

### Authority for Issuance

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

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

### Maturity Date; Registered Ownership

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

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

### General Terms of Auction Rate Bonds

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

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

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

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

**Payments on Auction Rate Bonds**

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

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

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

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

**Calculation of Auction Rate**

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

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

**Auction Periods**

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

The various Auction Periods for the ARBs are described below:

*Flexible Auction Period.* A Flexible Auction Period;

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

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

| (A) | (B) | (C) |
|---|---|---|
| When Auctions Occur | Auction Period Generally | Auction Periods Generally |
| on this day | Begins this day | End this day |
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

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

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

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

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

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

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

**Changes in Auction Period or Auction Date**

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

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

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

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

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

**Initial Auction Agent, Broker-Dealer and Market Agent**

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

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

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

**Redemption for the Series 2007A Bonds**

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

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

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

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

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

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

*(final maturity)

**Notice of Redemption**

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

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

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

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

## CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES

### Role of Broker-Dealer

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

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

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

**Bidding by Initial Broker-Dealer**

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

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

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

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

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

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

**Auction Dealer Fees**

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

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

**Price Talk**

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

**All-or-Nothing Bids**

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

**No Assurances Regarding Auction Outcomes**

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

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

**Deadlines/Auction Periods**

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

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

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

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

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

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

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

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

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

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

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

**Securities and Exchange Commission Settlements**

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

## THE 2007B BONDS

**Authority for Issuance**

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

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

**Description of the Series 2007B Bonds**

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

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

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

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

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

**Redemption for the Series 2007B Bonds**

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

## TAX ALLOCATION FINANCING

**General**

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

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

**Allocation of Taxes**

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

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

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

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

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

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

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

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

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

## SECURITY FOR THE SERIES 2007A BONDS

### Pledge of Subordinate Non-Housing Pledged Tax Revenues

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

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

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

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

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

**Non-Housing Debt Service Reserve Account**

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

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

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

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

**Outstanding Non-Housing Senior Obligations**

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

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

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

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

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

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

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

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

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

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

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

**Outstanding Non-Housing Parity Obligations**

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

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

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

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

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

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

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

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

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

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

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

**Subordinated Non-Housing Obligations**

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

## SECURITY FOR THE SERIES 2007B BONDS

**Pledge of Subordinate Housing Pledged Tax Revenues**

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

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

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

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

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

**Housing Debt Service Reserve Account**

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

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

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

**Outstanding Housing Senior Obligations**

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

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

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

**Outstanding Housing Parity Obligations**

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

**Additional Housing Bonds and Other Housing Parity Obligations**

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

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

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

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

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

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

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

**Subordinated Housing Obligations**

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

## DESCRIPTION OF THE INSURER

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

### The MBIA Insurance Corporation Insurance Policy

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

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

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

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

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

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

**MBIA Insurance Corporation**

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

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

**Regulation**

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

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

**Financial Strength Ratings of MBIA**

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

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

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

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

**MBIA Financial Information**

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

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

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

**Incorporation of Certain Documents by Reference**

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

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

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

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

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

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

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

**Debt Service Reserve Fund Surety Bond**

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

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

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

## THE AGENCY

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

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

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

### Financial Statements

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

### Swap Policy

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

### Governance and Administration

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

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

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

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

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

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

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

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

**Recent Ratings Changes**

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

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

- Amended the Agency's Bylaws to require that all Agency funds be held in accounts separate and distinct from any City funds, and not commingled with any City funds;

- Appointed a Redevelopment Director who is not otherwise an employee of the City and gave the Director power to approve all expenditures of Agency funds (along with the Treasurer of the Agency, who is also the Finance Director of the City); and

- Transferred all Agency funds to separate bank accounts.

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

## THE MERGED PROJECT AREA

**Redevelopment Plans**

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

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

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

**Merger and Amendment of the Project Areas**

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

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

**Redevelopment Plan Limitations and Land Usage**

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

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

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

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

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

**Table 1**
**The Constituent Project Areas**

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

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

Source: Fraser & Associates.

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

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

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

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

**The Constituent Project Areas**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Potrero 1C Project Area.* The Potrero Project Area is a 150-acre residential project redeveloped with housing and various public improvements, including the Richmond Swim Complex. The major roadway through the Potrero Project Area is Cutting Boulevard. The Agency has made significant progress in achieving the Redevelopment Plan goals in the Potrero Project Area. Major housing developments, Eastshore Manor I and Eastshore Manor II, have been completed, as well as the Richmond Swim Complex, which opened in 1999. The following activity is planned:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Tax Collection Agreement**

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

**Taxable Values and Tax Increment Revenues**

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

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

**TABLE 2**
**Richmond Community Redevelopment Agency**
**Historical Taxable Values and Tax Increment Revenues [1]**
**Merged Project Area**

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

| | |
|---|---|
| Total Percentage Assessed Value Change[2] | 36.24% |
| Average Percentage Assessed Value Change[2] | 10.86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99.65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105.51% |

(1) Includes the entire Merged Project Area.
(2) Comparison between 2002-03 and 2005-06. The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth. See Table 1.2 in "APPENDIX H – FISCAL CONSULTANT REPORT" for trend information excluding Area 10B.
(3) Actual amounts from County for 2006-07 not yet available.

Source: Fraser & Associates.

**TABLE 3**
**Ten Major Property Tax Assessees**
**Merged Project Area**

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

[1] Based on ownership of locally-assessed secured and unsecured property.
[2] Based on 2006-07 Project Area taxable value of $3,234,069,543 and incremental value of $1,978,042,104.

Source: Contra Costa County Assessor Records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1,256,027 | Tax (4) Increment | Unitary(5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set-Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior(8) Harbour Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006-2007 | N/A | N/A | $3,064,649 | $169,421 | $3,234,070 | $1,978,042 | $22,718 | $113 | $22,831 | $206 | $4,566 | $2,311 | $15,748 | $2,337 | $13,411 |
| 2007-2008 | 3,111,231 | 16,000 | 3,127,231 | 169,421 | 3,296,651 | 2,040,624 | 23,419 | 113 | 23,532 | 212 | 4,706 | 2,468 | 16,146 | 2,337 | 13,809 |
| 2008-2009 | 3,189,775 | 22,400 | 3,212,175 | 169,421 | 3,381,596 | 2,125,568 | 24,378 | 113 | 24,491 | 220 | 4,898 | 2,667 | 16,705 | 2,337 | 14,369 |
| 2009-2010 | 3,276,419 | 25,600 | 3,302,019 | 169,421 | 3,471,439 | 2,215,412 | 25,393 | 113 | 25,506 | 230 | 5,101 | 2,877 | 17,298 | 2,337 | 14,961 |
| 2010-2011 | 3,368,059 | 0 | 3,368,059 | 169,421 | 3,537,480 | 2,281,452 | 26,136 | 113 | 26,249 | 236 | 5,250 | 3,039 | 17,724 | 2,337 | 15,387 |
| 2011-2012 | 3,435,420 | 0 | 3,435,420 | 169,421 | 3,604,841 | 2,348,813 | 26,894 | 113 | 27,007 | 243 | 5,401 | 3,225 | 18,137 | 2,337 | 15,801 |
| 2012-2013 | 3,504,129 | 0 | 3,504,129 | 169,421 | 3,673,549 | 2,417,522 | 27,669 | 113 | 27,782 | 250 | 5,556 | 3,416 | 18,560 | 2,337 | 16,223 |
| 2013-2014 | 3,574,211 | 0 | 3,574,211 | 169,421 | 3,743,632 | 2,487,604 | 28,460 | 113 | 28,573 | 257 | 5,715 | 3,610 | 18,991 | 2,337 | 16,655 |
| 2014-2015 | 3,645,695 | 0 | 3,645,695 | 169,421 | 3,815,116 | 2,559,089 | 29,267 | 113 | 29,380 | 265 | 5,876 | 3,813 | 19,427 | 2,337 | 17,090 |
| 2015-2016 | 3,718,609 | 0 | 3,718,609 | 169,421 | 3,888,030 | 2,632,002 | 30,092 | 113 | 30,204 | 272 | 6,041 | 4,065 | 19,826 | 2,337 | 17,490 |
| 2016-2017 | 3,792,981 | 0 | 3,792,981 | 169,421 | 3,962,402 | 2,706,375 | 30,933 | 113 | 31,046 | 280 | 6,209 | 4,323 | 20,234 | 2,337 | 17,898 |
| 2017-2018 | 3,868,841 | 0 | 3,868,841 | 169,421 | 4,038,262 | 2,782,234 | 31,792 | 113 | 31,905 | 287 | 6,381 | 4,638 | 20,599 | 2,337 | 18,262 |
| 2018-2019 | 3,946,218 | 0 | 3,946,218 | 169,421 | 4,115,639 | 2,859,611 | 32,668 | 113 | 32,781 | 295 | 6,556 | 4,959 | 20,971 | 2,337 | 18,634 |
| 2019-2020 | 4,025,142 | 0 | 4,025,142 | 169,421 | 4,194,563 | 2,938,535 | 33,563 | 113 | 33,676 | 303 | 6,735 | 5,286 | 21,351 | 2,337 | 19,014 |
| 2020-2021 | 4,105,645 | 0 | 4,105,645 | 169,421 | 4,275,066 | 3,019,038 | 34,476 | 113 | 34,589 | 311 | 6,918 | 5,620 | 21,739 | 2,337 | 19,402 |
| 2021-2022 | 3,559,661 | 0 | 3,559,661 | 142,097 | 3,701,758 | 2,484,194 | 28,320 | 65 | 28,385 | 256 | 5,677 | 5.012 | 17,441 | 2,337 | 15,104 |
| 2022-2023 | 3,630,854 | 0 | 3,630,854 | 142,097 | 3,772,951 | 2,555,387 | 29,131 | 65 | 29,197 | 263 | 5,839 | 5.311 | 17,784 | 2,337 | 15,447 |
| 2023-2024 | 3,703,471 | 0 | 3,703,471 | 142,097 | 3,845,568 | 2,628,004 | 29,959 | 65 | 30,025 | 270 | 6,005 | 5.615 | 18,134 | 0 | 18,134 |
| 2024-2025 | 3,741,749 | 0 | 3,741,749 | 142,097 | 3,883,846 | 2,668,011 | 30,415 | 61 | 30,477 | 274 | 6,095 | 5,856 | 18,251 | 0 | 18,251 |
| 2025-2026 | 2,376,227 | 0 | 2,376,227 | 46,700 | 2,422,928 | 1,258,412 | 14,346 | 6 | 14,352 | 129 | 2,870 | 3,771 | 7,582 | 0 | 7,582 |
| 2026-2027[9] | 2,423,752 | 0 | 2,423,752 | 46,700 | 2,470,452 | 1,305,936 | 14,888 | 6 | 14,894 | 134 | 2,979 | 3,970 | 7,811 | 0 | 7,811 |
| 2027-2028 | 2,472,227 | 0 | 2,472,227 | 46,700 | 2,518,927 | 1,354,411 | 15,440 | 6 | 15,446 | 139 | 3,089 | 4,179 | 8,039 | 0 | 8,039 |
| 2028-2029 | 2,521,672 | 0 | 2,521,672 | 46,700 | 2,568,372 | 1,403,856 | 16,004 | 6 | 16,010 | 144 | 3,202 | 4,393 | 8,271 | 0 | 8,271 |
| 2029-2030 | 2,572,105 | 0 | 2,572,105 | 46,700 | 2,618,805 | 1,454,289 | 16,579 | 6 | 16,585 | 149 | 3,317 | 4,610 | 8,508 | 0 | 8,508 |
| 2030-2031 | 2,623,547 | 0 | 2,623,547 | 46,700 | 2,670,247 | 1,505,731 | 17,165 | 6 | 17,171 | 155 | 3,434 | 4,832 | 8,750 | 0 | 8,750 |
| 2031-2032 | 2,676,018 | 0 | 2,676,018 | 46,700 | 2,722,718 | 1,558,202 | 17,764 | 6 | 17,770 | 160 | 3,554 | 5,073 | 8,982 | 0 | 8,982 |
| 2032-2033 | 2,729,538 | 0 | 2,729,538 | 46,700 | 2,776,238 | 1,611,723 | 18,374 | 6 | 18,380 | 166 | 3,676 | 5,290 | 9,248 | 0 | 9,248 |
| 2033-2034 | 2,784,129 | 0 | 2,784,129 | 46,700 | 2,830,829 | 1,666,313 | 18,996 | 6 | 19,002 | 171 | 3,800 | 5,570 | 9,460 | 0 | 9,460 |
| 2034-2035 | 2,839,812 | 0 | 2,839,812 | 46,700 | 2,886,512 | 1,721,996 | 19,631 | 6 | 19,637 | 177 | 3,927 | 5,826 | 9,706 | 0 | 9,706 |
| 2035-2036 | 2,896,608 | 0 | 2,896,608 | 46,700 | 2,943,308 | 1,778,792 | 20,278 | 6 | 20,284 | 183 | 4,057 | 6,087 | 9,957 | 0 | 9,957 |
| 2036-2037 | 2,954,540 | 0 | 2,954,540 | 46,700 | 3,001,240 | 1,836,724 | 20,939 | 6 | 20,945 | 189 | 4,189 | 6,354 | 10,213 | 0 | 10,213 |

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

Source: Fraser & Associates.

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

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

Source: Fraser & Associates.

## PROJECTED DEBT SERVICE COVERAGE

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

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

[1] Represents fixed payment obligations under the 2007 Swap

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

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

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

[1] Assumes amendment to increase tax increment cap.
[2] Represents fixed payment obligations under the 2007 Swap.

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

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

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

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

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

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

[1] Assumes amendment to increase tax increment cap

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

**Statement of Direct and Overlapping Debt**

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

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

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

Ratio to Incremental Valuation 7 46%

| OVERLAPPING TAX AND ASSESSMENT DEBT | | | |
|---|---|---|---|
| Bay Area Rapid Transit District | 0 742% | $ 646,913 | |
| Contra Costa Community College District | 2 270 | 2,562,830 | |
| West Contra Costa Unified School District | 13 396 | 71,870,012 | |
| East Bay Municipal Utility District | 2 033 | 22,261 | |
| East Bay Municipal Utility District, Special District No 1 | 0 779 | 268,015 | |
| East Bay Regional Park | 1 014 | 1,686,231 | |
| West Contra Costa Healthcare District Parcel Tax Obligations | 12 523 | 3,170,197 | |
| City of Richmond Community Facilities District No 1998-1 | 100 | 3,975,000 | |
| City of Richmond Harbor Navigation District, I D No 1 | 72 839 | 1,096,227 | |
| City of Richmond I D No 852 | 44 913 | 1,086,895 | |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | $86,384,581 | |
| Less East Bay Municipal Utility District | | 22,261 | |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | $86,362,320 | |

| OVERLAPPING GENERAL FUND DEBT | | | |
|---|---|---|---|
| Contra Costa County General Fund Obligations | 1 012 % | $ 3,083,311 | |
| Contra Costa County Pension Obligations | 1 012 | 5,434,491 | |
| Contra Costa County Board of Education Certificates of Participation | 1 012 | 9,108 | |
| Alameda-Contra Costa Transit District Certificates of Participation | 0 989 | 186,970 | |
| Contra Costa Community College District Certificates of Participation | 1 014 | 12,320 | |
| West Contra Costa Unified School District Certificates of Participation | 7 019 | 1,830,204 | |
| City of Richmond General Fund Obligations | 12 687 | 5,229,935 | |
| City of Richmond Pension Obligations | 12 687 | 17,319,675 | |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $33,106,014 | |

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

(1) Excludes tax allocation bonds to be issued

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

| Ratios to 2006-07 Assessed Valuation | |
|---|---|
| Gross Combined Total Direct and Overlapping Debt | 6 57% |
| Net Combined Total Direct and Overlapping Debt | 6 57% |

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

Source California Municipal Statistics, Inc

## BOND OWNERS' RISKS

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

### Concentration of Tax Base

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

### Estimates of Tax Increment Revenues

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

### Appeals and Other Reductions to Assessed Values

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

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

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

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

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

[1] Estimated at 24% reduction.
[2] Numbers may not add due to rounding.

Source: Fraser & Associates.

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

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

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

**Bankruptcy and Foreclosure**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy

proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

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

**Investment Risk**

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

**Development Risks**

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

**Earthquake Risks**

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

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

**Brownfields**

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

**Levy and Collection of Taxes**

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

**Reductions in Inflationary Rate**

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

**State Budgets**

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

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

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

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

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

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

**Parity Debt**

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

**Changes in the Law**

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

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

**Hazardous Substances**

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

## LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

**Article XIIIA of the California Constitution**

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

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

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

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

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

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

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

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

**Article XIIIB of the California Constitution**

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

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

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

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

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

**Articles XIIIC and XIIID of the California Constitution**

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

**Proposition 87**

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

**Further Initiatives**

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

**Property Tax Collection Procedures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Unitary Property**

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

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

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

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

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

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

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

**Low and Moderate Income Housing Fund**

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

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

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

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

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

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

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

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

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

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

**SB 211**

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

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

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

## TAX MATTERS

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

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

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

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

**Series 2007A Bonds**

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

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

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

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

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

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

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

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

**Series 2007B Bonds**

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

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

**Tax Status of the Series 2007B Bonds**

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

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

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

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

**Sale and Exchange of Series 2007B Bonds**

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

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

**Foreign Investors**

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

**Circular 230**

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

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the Taxable Bond and the transactions described herein (or in such opinion or other advice); and

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

## NO LITIGATION

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

## THE AUTHORITY

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

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

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

## UNDERWRITING

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

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

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

## CONTINUING DISCLOSURE

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

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

## APPROVAL OF LEGALITY

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

## FINANCIAL ADVISOR

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

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

## RATINGS

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

## MISCELLANEOUS

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Agency.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By: _____
Executive Director of the Agency

## APPENDIX A

## ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND

### General

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

### Population

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

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

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

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

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

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

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

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

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

**Assessed Valuation**

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

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

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

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

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

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

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

*Source: California Municipal Statistics, Inc.*

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

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

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

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

*Source: Contra Costa County Auditor-Controller.*

**Property Taxation and Tax Rates**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Teeter Plan**

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

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

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

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

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

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

*Source: Contra Costa County Auditor-Controller.*

**Largest Taxpayers**

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

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

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

[1] Assessed valuation in thousands
[2] Based on total net assessed value of $9,441,403,000

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

**Economic Structure**

*Overview of the Richmond Economy*

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

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

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

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

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

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

*Source: ABAG, Projections 2007.*

*Industrial Activity*

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

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

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

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

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

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

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

*Summary of Major Industrial/Commercial Investments*

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

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

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

[1] Does not include housing investments.
[2] Rehabilitated space.

*Source: Richmond Redevelopment Agency.*

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

*Employment*

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

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

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

*Source: City of Richmond Planning Department.*

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

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

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

[1] Not seasonally adjusted.
[2] Totals may not add due to independent rounding.

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

*Commercial Activity*

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

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

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

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

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

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

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

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

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

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

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

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

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

*Source: Richmond Public Works Department, Building Regulations Division.*

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

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

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

[1] Includes single family, multi-family and alterations and additions.
[2] Includes new commercial, new industrial, other new non-residential and alterations and additions.

*Source: Construction Industry Research Board.*

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

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

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

*Source: Construction Industry Research Board.*

*Community Facilities*

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

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

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

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

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

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

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

*Transportation*

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

*Freeways*

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

*Port and Rail*

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

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

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

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

*Regional Airports*

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

*Public Transit*

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

*Utilities*

Utility services to the City are supplied by the following:

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

*Education*

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

# APPENDIX B

# SUMMARY OF THE NON-HOUSING INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

## SUMMARY OF THE NON-HOUSING INDENTURE

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

### DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

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

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

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

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

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

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

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

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

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

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

"ARB Default Rate" means the ARB Maximum Rate.

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

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

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

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

"Auction" means each periodic implementation of the Auction Procedures.

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

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

"Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.

"Auction Date" has the meaning set forth in Appendix J.

"Auction Period" has the meaning set forth in Appendix J.

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

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

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

"Authority" means the Richmond Joint Powers Financing Authority.

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

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

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

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

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

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

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

"Bid" has the meaning provided in Appendix J.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

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

"Conversion Date" means the effective date of a Conversion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Flexible Auction Period" has the meaning set forth in the Auction Procedures.

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

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

"Hold Order" has the meaning provided in Appendix J.

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

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

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

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

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

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

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency;

(3) and is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Order" means a Hold Order, Bid or Sell Order.

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

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

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

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

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

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

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

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

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

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

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Required Stated Amount" means with respect to a Credit Support Instrument, at any time of calculation, an amount equal to the aggregate principal amount of all Outstanding Series 2007A Bonds as to which the Purchase Price is payable pursuant to the Indenture from the proceeds of a drawing on such Credit Support Instrument, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a certificate of an Authorized Agency Representative to be the minimum period specified by each Rating Agency then rating such Series 2007A Bonds as necessary to obtain (or maintain) a specified short-term rating of the Series 2007A Bonds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Sell Order" has the meaning set forth in Appendix J.

"Senior Bonds" means, collectively, the Richmond Community Redevelopment Agency Harbour Redevelopment Project 1991 Tax Allocation Refunding Bonds, the Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A, the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2000A (Tax-Exempt), the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003A (Tax Exempt), and the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired

as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Obligations" means, collectively, the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), and the Loan Agreement, dated as of August 1, 2003, between the Agency and the Authority (the "2003 Senior Loan Agreement").

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Non-Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable).

"SIFMA Index" means the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax.

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Sinking Fund Installment" means, with respect to the Series 2007A Bonds, the amount required by the Indenture to be paid by the Agency on any single date for the retirement of Series 2007A Bonds.

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

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Statutory Corporate Tax Rate" means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date hereof is 35%.

"Submitted Bid" has the meaning specified in Appendix J.

"Submitted Hold Order" has the meaning specified in Appendix J.

"Submitted Order" has the meaning specified in Appendix J.

"Submitted Sell Order" has the meaning specified in Appendix J.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture. The 2007 Swap Termination Payments are Subordinate Obligations.

"Sufficient Clearing Bids" has the meaning specified in Appendix J.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Agent" means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

"Tendered Bond" means any Series 2007A Bond (or the portion of any Series 2007A Bond) tendered or deemed tendered for purchase pursuant to the Indenture.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"2007 Series A Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series A Coverage Reserve Subaccount pursuant to the Indenture.

"2007 Series A Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Non-Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"2007 Series A Tax Certificate" means that certain Tax Certificate and Agreement signed by the Agency on the Delivery Date and relating to the requirements of Section 148 of the Code.

"Undelivered Bond" means, with respect to each Purchase Date, each Tendered Bond subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Bond to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Bond shall be considered an Undelivered Bond on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Bonds to pay in full the applicable Purchase Price of all Tendered Bonds due on such Purchase Date.

"Variable Index" means the SIFMA Index. If for any reason the SIFMA Index for any rate determination date is not announced or is otherwise unavailable or is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index", the Variable Index for such rate determination date shall be an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all Tax-Exempt bonds are subject to such tax. If no such index is so selected by the Remarketing Agent or if any such index is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index," the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis

of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

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

"Weekly Interest Rate Period" means each Interest Rate Period during which Weekly Interest Rates are in effect.

## THE NON-HOUSING INDENTURE

### Authorization of Bonds

The Non-Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Non-Housing Indenture is not limited except as may hereafter be provided in the Non-Housing Indenture or as may be limited by law.

### Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

### Indenture to Constitute Contract

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

### General Provisions for Issuance of Bonds

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued,

which shall be one of the purposes specified in the provisions of the Indenture described below under the captions "—Additional Bonds" and "—Refunding Bonds"; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions "—Refunding Bonds" or "—Conditions to Issuance of Parity Obligations," as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption "—Refunding Bonds," or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption "—Refunding Bonds," as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Additional Bonds**

Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Refunding Bonds**

(a) Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations.

Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds" and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds") of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Conditions to Issuance of Parity Obligations**

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

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

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

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

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

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Conditions of Issuance of Subordinated Obligations**

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as

such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

*Credit Provider Bonds*. Subject only to the provisions of the Indenture described above under the caption "—Bonds Constitute Special Obligations," notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

*Limitation on Issuance of Senior Bonds.* The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

**Establishment of Funds and Application Thereof**

*Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture* permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

*Funds. To ensure the payment when due and payable, whether at maturity or upon* redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

*Receipt and Deposit of Subordinate Pledged Tax Revenues.* After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

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

*Special Fund.* (a) All moneys in the Special Fund shall be set aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed

at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

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

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial

Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(6) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support

Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

*Redemption Fund.* From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

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

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

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

*Investment of Certain Funds.* Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption "—Investment of Certain Funds," invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

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

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

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

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

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

**Covenants**

*Compliance with Indenture.* The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and

performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

*Against Encumbrances.* The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

*Extension or Funding of Claims for Interest.* In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

*Payment of Claims.* The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

*Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

*Payment of Taxes and Other Charges.* Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

*Financing the Project.* The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

*Taxation of Leased Property.* Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the

term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

*Disposition of Property in Project Area.* The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

*Amendment of Redevelopment Plan.* If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

*Subordinate Pledged Tax Revenues.* The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

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

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

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

(a) Notwithstanding any provisions under this "—Tax Covenants," if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption "—Tax Covenants" or a Tax Certificate is no longer required or that some further or different action is required to maintain

the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption "—Tax Covenants" and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this "—Tax Covenants" shall survive payment in full or discharge of the Tax-Exempt Bonds.

*Agreements with Other Taxing Agencies.* So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

*Annual Review of Subordinate Pledged Tax Revenues.* The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than July 1 (commencing July 1, 2012), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

**Amendments to Indenture**

*Amendments Permitted.* (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption "Amendments to Indenture." No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption "—Amendments Permitted," the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(d) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

*Effect of Supplemental Indenture.* Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

*Bonds Owned by Agency.* For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a

certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

*Notation on Bonds.* Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

*Consent of Providers or Owners of Parity Obligations.* The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

**Concerning the Fiduciaries**

*Trustee; Acceptance of Duties.* The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

*Resignation of Trustee.* The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

*Removal of Trustee.* The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

**Defeasance**

*Payment of Bonds.* (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

*Bonds Deemed Paid.* Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds." Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds" (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to

the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

*Defeasance of Portion of Bond.* If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

*Discharge of Liability on Bonds.* Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions "—Payment of Bonds" or "—Bonds Deemed Paid," as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

**Events of Default; Remedies**

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

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

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

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

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

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

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

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the provisions of the Indenture described under the caption "Events of Default; Remedies" which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and

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

Third: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

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

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

*Right to Accelerate Upon Default.* Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each

Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

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

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

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

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

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

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

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

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

*Remedies Not Exclusive.* No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

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

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

**Miscellaneous**

*Credit Providers.* (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the

Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

*Reserve Financial Guaranty Providers.* All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

*No Recourse on Bonds.* Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

*Unclaimed Moneys.* Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall

look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

*Governing Law.* The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Bond Insurance Provisions**

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007A Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007A Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained in the Indenture, the consent or direction, as appropriate, of the Series 2007A Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007A Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007A Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2007 Series Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007A Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007A Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007A Bonds absent a default by the Series 2007A Bond Insurer under the Series 2007A Bond Insurance Policy insuring the Series 2007A Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007A Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the Series 2007A Bonds shall be paid by the Series 2007A Bond Insurer pursuant to the Series 2007A Bond Insurance Policy, the Series 2007A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the Bonds shall continue to exist and shall run to the benefit of the Series 2007A Bond Insurer, and the Series 2007A Bond Insurer shall be subrogated to the rights of such Owners of the Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the

Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007A Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007A Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007A Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants an agrees that it shall reimburse the Series 2007A Bond Insurer for any amounts paid under the Series 2007A Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007A Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007A Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007A Bond Insurer in respect of interest on the Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Bonds. For the purposes of the foregoing, "Series 2007A Bond Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007A Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007A Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007A Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007A Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007A Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the Series 2007A Bond Insurer if

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings

service acceptable to the Series 2007A Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

**Termination Payments under the 2007 Swap**

Termination Payments payable pursuant to the 2007 Swap are deemed Subordinated Obligations by the Indenture, and the Agency by the Indenture grants a lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues to secure its obligations to make such 2007 Swap Termination Payments, which lien on, security interest in and pledge shall be subordinate and junior in all respects to the payment of the Bonds and Parity Obligations under the Indenture.

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX C

# SUMMARY OF THE HOUSING INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX C

## SUMMARY OF THE HOUSING INDENTURE

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

### DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

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

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

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

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

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

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

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

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

"Authority" means the Richmond Joint Powers Financing Authority.

"Authorized Denominations" means, with respect to the 2007 Series B Bonds, $5,000 principal amount, or $5,000 Maturity Value for any 2007 Series B Bonds issued as Capital Appreciation Obligations, and any integral multiple thereof; provided that the first numbered 2007 Series B Bond issued as a Capital Appreciation Obligation may be issued in a denomination such that the Maturity Value of such Bond shall not be in an integral multiple of $5,000.

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

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

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

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Bond" means any of the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) authorized pursuant to the Indenture and a Supplemental Indenture.

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

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

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

"Book-Entry Bonds" means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (iv) any day on which the banks are authorized or required by law or other government action to close

in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capped Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Combined Debt Service" means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

"Combined Adjusted Annual Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in each Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Costs of Issuance" means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial

fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"Credit Provider Reimbursement Obligations" means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in the Indenture.

"Debt Service Adjustments and Assumptions" means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations,

as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) below applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during

such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

"Debt Service Reserve Account" means the Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with

respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

"Denominational Amount" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the initial principal amount thereof as of the Dated Date, as set forth in the Indenture.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to the Indenture; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Event of Default" means an event described as such in the provisions of the Indenture described below under the caption "Events of Default; Remedies—Events of Default."

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full

faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

"Fiduciary" means the Trustee for the Bonds appointed as provided in the Indenture.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"First Supplemental Indenture" means the First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee, supplementing the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

"Fitch" means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Generally Accepted Accounting Principles" means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hedged Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency's payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty's payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Interest Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Interest Payment Date" or "Interest Date" means , with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

"Issuing Instrument" means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Maturity Value" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the value of such 2007 Series B Bond at its maturity, as set forth in the Indenture.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Net Payment" means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, Senior Bonds.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" means any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

"Parity Obligations" means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Series 2007B Bond Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1" or better by Standard & Poor's;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(12) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Series 2007B Bond Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the Series 2007B Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Principal Office" means, with respect to: (i) the Trustee, the principal office of such Trustee in San Francisco, California, and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area*, initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area*, initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area*, initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area*, initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area*, initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area*, initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area*, initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area*, initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area*, initially established April 4, 1960, as amended from time to time.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

"Redemption Date means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

"Redemption Fund" means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds Redemption Fund established pursuant to the Indenture.

"Redemption Price" means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

"Redevelopment Plan" means, collectively, the Redevelopment Plan for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan."

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of the Indenture.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

"Remaining Redevelopment Plan Limit" means the applicable time limit to collect tax increment under the Redevelopment Plan.

"Representation Letter" means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company. The Series 2007B Surety Bond is a Reserve Financial Guaranty for the Series 2007B Bonds.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty. The Series 2007B Bond Insurer is a Reserve Financial Guaranty Provider for the Series 2007B Bonds.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, 2000B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Obligations" means the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), but only with respect to the payments thereunder required to be paid from amounts allocable to the housing fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable).

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable) and all of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt).

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Special Fund" means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to the Indenture.

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"2007 Series B Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated as of July 1, 2007, of the Agency, relating to the Series 2007B Bonds, as the same may be amended and supplemented.

"2007 Series B Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series B Coverage Reserve Subaccount pursuant to the Indenture.

"2007 Series B Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the Series 2007B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax

increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Housing Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

"Yield to Maturity" means the rate of interest applied to the Denominational Amount of any Series 2007B Bond issued as a Capital Appreciation Obligation for purposes of the calculations and as set forth in the First Supplemental Indenture

## THE HOUSING INDENTURE

### Authorization of Bonds

The Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Housing Indenture is not limited except as may hereafter be provided in the Indenture or as may be limited by law.

### Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

**Indenture to Constitute Contract**

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

**General Provisions for Issuance of Bonds**

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in the provisions of the Indenture described below under the captions "—Additional Bonds" and "—Refunding Bonds"; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions "—Refunding Bonds" or "—Conditions to Issuance of Parity Obligations," as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption "—Refunding Bonds," or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption "—Refunding Bonds," as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Additional Bonds**

Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Refunding Bonds**

(a) Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds" and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds") of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Conditions to Issuance of Parity Obligations**

(a) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments,

as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to subparagraph (e) below, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Conditions of Issuance of Subordinated Obligations**

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive

payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

*Credit Provider Bonds.* Subject only to the provisions of the Indenture described above under the caption "—Bonds Constitute Special Obligations," notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

*Limitation on Issuance of Senior Bonds.* The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

**Establishment of Funds and Application Thereof**

*Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture* permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

*Funds. To ensure the payment when due and payable, whether at maturity or upon* redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

*Receipt and Deposit of Subordinate Pledged Tax Revenues.* After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

*Special Fund.* (a) All moneys in the Special Fund shall be set-aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with

respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(b) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

*Redemption Fund.* From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

*Depositories.* The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes of the Indenture.

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the

same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

*Investment of Certain Funds.* Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption "—Investment of Certain Funds," invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

*Sale of Investments.* Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

**Covenants**

*Compliance with Indenture.* The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any *force majeure*, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

*Against Encumbrances.* The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

*Extension or Funding of Claims for Interest.* In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

*Payment of Claims.* The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

*Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

*Payment of Taxes and Other Charges.* Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

*Financing the Project.* The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

*Taxation of Leased Property.* Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

*Disposition of Property in Project Area.* The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

*Amendment of Redevelopment Plan.* If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

*Subordinate Pledged Tax Revenues.* The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and

payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

*Further Assurances.* The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

*Tax Covenants.* The Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under paragraph (a) below, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions under this "—Tax Covenants," if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption "—Tax Covenants" or a Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption "—Tax Covenants" and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this "—Tax Covenants" shall survive payment in full or discharge of the Tax-Exempt Bonds.

*Agreements with Other Taxing Agencies.* So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

*Annual Review of Subordinate Pledged Tax Revenues.* The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than July 1 (commencing July 1, 2012), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax

Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

**Amendments to Indenture**

*Amendments Permitted.* (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption "Amendments to Indenture." No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption "—Amendments Permitted," the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the

conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(d) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of

such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

*Effect of Supplemental Indenture.* Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

*Bonds Owned by Agency.* For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

*Notation on Bonds.* Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

*Consent of Providers or Owners of Parity Obligations.* The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

**Concerning the Fiduciaries**

*Trustee; Acceptance of Duties.* The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

*Resignation of Trustee.* The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

*Removal of Trustee.* The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

**Defeasance**

*Payment of Bonds.* (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

*Bonds Deemed Paid.* Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds." Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds" (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established

with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

*Defeasance of Portion of Bond.* If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

*Discharge of Liability on Bonds.* Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions "—Payment of Bonds" or "—Bonds Deemed Paid," as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

**Events of Default; Remedies**

*Events of Default.* Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit Provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

(a) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the provisions of the Indenture described under the caption "Events of Default; Remedies" which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which

such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

(c) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

*Right to Accelerate Upon Default.* Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

*Appointment of Receiver.* If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an

express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, and subject to rights of the relevant Credit Provider to direct remedies as set forth in the Indenture or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

*Remedies Not Exclusive.* No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this paragraph have been satisfied with respect to such subsequent Event of Default.

*Notice of Default.* The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

**Miscellaneous**

*Credit Providers.* (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

*Reserve Financial Guaranty Providers.* All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or

other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

*No Recourse on Bonds*. Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

*Unclaimed Moneys*. Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

*Governing Law*. The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Bond Insurance Provisions**

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007B Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007B Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained, in the Indenture, the consent or direction, as appropriate, of the Series 2007B Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the

occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007B Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007B Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Series 2007B Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007B Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007B Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007B Bonds absent a default by the Series 2007B Bond Insurer under the Series 2007B Bond Insurance Policy insuring the Series 2007B Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007B Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the 2007 Series Bonds shall be paid by the Series 2007B Bond Insurer pursuant to the Series 2007B Bond Insurance Policy, the Series 2007B Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and assignment and pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the 2007 Series Bonds shall continue to exist and shall run to the benefit of the Series 2007B Bond Insurer, and the Series 2007B Bond Insurer shall be subrogated to the rights of such Owners of the 2007 Series Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007B Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007B Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007B Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007B Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants an agrees that it shall reimburse the Series 2007B Bond Insurer for any amounts paid under the Series 2007B Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007B Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007B Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007B Bond Insurer in respect of interest on the 2007 Series Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the 2007 Series Bonds. For the purposes of the foregoing, "Series 2007B Bond Insurer Payment Rate" means the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Series Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007B Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007B Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007B Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007B Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007B Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the 2007 Series A Bond Insurer if:

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007 A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007B Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

## APPENDIX D

## BOOK ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may with to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. if less than all of the Bonds within an issue are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of each Participant and not of DTC nor its nominee, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and accreted value, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Agency or the Trustee, or the Authority or the Agency may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered and will be subject to the registration, transfer and exchange provisions provided for in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Agency believe to be reliable, but the Authority and the Agency take no responsibility for the accuracy thereof.

# APPENDIX E

# FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 1, 2007, is executed and delivered by the Richmond Community Redevelopment Agency (the "Agency"), Union Bank of California, N.A., as trustee (the "Trustee") and MuniFinancial, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Agency of its $65,400,000 aggregate principal amount of Subordinate Tax Allocation Bonds (Merged Project Areas), Series 2007A (the "Series 2007A Bonds") and its $9,772,621.50 aggregate principal amount of Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable), Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds"). The Bonds are being issued pursuant to the Resolution of the Agency, adopted June 5, 2007, and pursuant to an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture") between the Agency and the Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture") between the Agency and the Trustee (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures"). The Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency, the Dissemination Agent and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indentures, between the Agency and the Authority, described in the Official Statement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean with respect to the Agency, the Chief Executive Officer of the Agency or the Redevelopment Agency Director or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" means MuniFinancial, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the Agency, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month. or fifty-two week period hereafter

selected by the Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at www.sec.gov/consumer/nrmsir.htm

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

"Underwriter" means the original underwriter of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's Fiscal Year (presently June 30), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the basic financial statements of the Agency may be submitted from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date. If the Fiscal Year changes for the Agency, the Agency shall give notice of such change in the same manner as for a Listed Event under Section 5(f) hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Agency shall provide its Annual Report to the Dissemination Agency and Trustee. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the Agency, the Dissemination Agent shall notify the Agency of such failure to receive the report. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address. of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Authority or the Agency, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement dated June __, 2007, relating to the Bonds):

(a) Basic financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's basic financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the basic financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Annual Debt Service Requirements, but only in the event of any unscheduled redemption, defeasance or new issue;

2. Table 2 - Historical Taxable Values and Tax Increment Revenues – Merged Project Area;

3. Table 3 - Ten Major Property Tax Assessees – Merged Project Area;

4. Table 4 and Table 5 - Projection of Incremental Tax Revenue – Merged Project Area; and

5. Table 6, Table 7, Table 8 and Table 9 – Projected Debt Service Coverage.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the security;

7. Modifications to rights of security holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds;

11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee shall contact the Authority and the Agency at their notice addresses in the Indenture, inform them of the event, and request that the Agency or the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency or the Authority shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material, the Agency shall notify the Dissemination Agent promptly in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event; and

(g) The Dissemination Agent may rely conclusively on an opinion of counsel that the Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty (30) days written notice to the Agency and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have not duty to prepare any information report nor shall the Dissemination Agent by responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Agency which does not impose any greater duties nor any greater risk of liability on the Trustee or Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Agency agrees to indemnify and hold harmless the Dissemination Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which any of them may incur arising out of or in the exercise of performance of their respective powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with an agreed upon schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall both be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party under this Disclosure Agreement. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper on any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee not the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

Section 13. California Law. This Disclosure Agreement shall be constructed and governed in accordance with the laws of the State of California.

Section 14. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

| | |
|---|---|
| To the Agency: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director<br>Fax: (510) 231-3047<br><br>(with copies to the City Attorney) |
| To the Trustee: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department<br>Fax: (510) 273-2492 |
| To the Dissemination Agent: | MuniFinancial<br>27368 Via Industria, Suite 110<br>Temecula, CA 92590<br>Attention: Manager<br>Fax: (951) 587-3510 |

The Trustee, the Dissemination Agent and the Agency may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee, the Dissemination Agent or the Agency may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Executive Director

UNION BANK OF CALIFORNIA, N.A.

By:_____
Authorized Officer

MUNIFINANCIAL

By:_____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | Richmond Community Redevelopment Agency |
| Name of Bond Issue: | Richmond Community Redevelopment Agency<br>Subordinate Tax Allocation Bonds (Merged Project Areas),<br>Series 2007A<br>and<br>Richmond Community Redevelopment Agency<br>Housing Set-Aside Subordinate Tax Allocation Bonds<br>(Merged Project Areas) (Taxable), Series 2007B |
| Date of Issuance: | _____, 2007 |

NOTICE IS HEREBY GIVEN that the Richmond Community Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of July 1, 2007 executed by the Agency for the benefit of the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated:

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Its:_____

cc: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, California 94104

MuniFinancial
27368 Via Industria, Suite 110
Temecula, CA

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX F

# PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX F**

[PROPOSED FORM OF FINAL OPINION OF BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $65,400,000 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an Indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any

parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

[PROPOSED FORM OF FINAL OPINION BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds (Taxable)
(Merged Project Areas)
2007 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $9,772,621.50 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Taxable) (Merged Project Areas), 2007 Series B (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture""), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as

originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

# APPENDIX G

# SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES

[THIS PAGE INTENTIONALLY LEFT BLANK]

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation
## Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**
**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-CA-7
01/05

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX H

# FISCAL CONSULTANT REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FA FRASER & ASSOCIATES

**Redevelopment and Financial Consulting**

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

# FISCAL CONSULTANT REPORT

*Richmond Community Redevelopment Agency*

Merged Project Area

May 2007

## Section A - Introduction

The Richmond Community Redevelopment Agency (Agency) is considering the issuance of Tax Allocation Bonds (Bonds). The Bonds will be secured through two Indentures (Indentures). The Agency intends to pledge a portion of the tax increment revenues generated from the Merged Project Area (Project Area) to repayment of the Non-Housing Bonds. The Housing Bonds will be repaid from the housing set-aside revenues of the Project Area.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Loans. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plans and the financial and time limits of the nine constituent Project Areas that comprise the Merged Project Area. A brief description of the systems and procedures used by Contra Costa County for the allocation of tax increment is also included in this section.
C. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the historical trends in values and revenues and the Top Ten Assessees in the Project Area.
D. **Assessment Appeals**: The findings from a review of the records of the Contra Costa County Assessment Appeals Board are included in this section.
E. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
F. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
G. **Other Issues**: This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information and data which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Contra Costa County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

## Section B - General Information

*The Merged Project Area*

The Merged Project Area consists of nine formerly "independent" redevelopment project areas (Constituent Project Areas). The Constituent Project Areas were merged together for financing purposes on July 13, 1999 and include:

- No. 1-A Eastshore
- No. 1-C Potrero
- No. 3-A Galvin
- No. 6-A Harbor Gate
- No. 8-A Hensley
- No. 10-A Downtown
- No. 10-B Nevin Center
- No. 11-A Harbour
- No. 12-A North Richmond

As part of the merger process, territory was also added to Project Areas 1-A, 6-A, 8-A, 10-A, 10-B, and 11-A (1999 Amendment Areas). In July, 2005, additional territory was added to Project 10-B (2005 Amendment Area).

Also as part of the merger amendment, a combined tax increment limit of $521,400,000 was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established the limit in each of the Constituent Projects. The combined tax increment limit does not apply to the 2000 or 2005 Amendment Area, nor to the territory that was added to Project 6-A on June 26, 1995. Those areas were added after the implementation of various changes to the Community Redevelopment Law (CRL) that were triggered by legislation commonly referred to as AB 1290. AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2005-06 fiscal year, it is estimated that the Agency has received $156.8 million in tax increment for the portions of the Merged Project Area subject to the tax increment limit. Based on the projections of tax increment shown in this Report, which are based on a 2 percent trend in real property values, the cumulative tax increment limit will be reached in 2025-26.

The Agency also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is $250 million and applies to the entire Merged Project Area except for the 2005 Amendment Area, which has a separate bonded debt limit of $150 million. As of June 30, 2006 the Agency had approximately $91.5 million in bonds outstanding under the $250 million limit, and no bonds outstanding for the 2005 Amendment Area.

AB 1290 also required that redevelopment project areas include limitations on the time period to incur and repay debt with tax increment and on the period when a redevelopment plan can be effective. Initially, a project area's time limits were the shorter of: 1) the limits contained in the redevelopment plan; or 2) the maximum time limits included in AB 1290. Subsequent legislation (AB 1342), allowed a project area's time limits to be extended to the maximum allowed by AB 1290. The Agency used this legislation to extend certain time limits for the Constituent Project Areas. The extension of the time limits has had the impact of triggering statutory pass through payments, as discussed further in Section F of this report. The Agency further extended the date to incur debt in Project Area 11-A to January 1, 2014 as part of the amendment that merged the Constituent Project Areas.

Legislation approved in 2001 (SB 211) allowed a redevelopment agency to delete the debt incurrence date from its redevelopment plan for those project areas that were adopted prior to December 31, 1993. The Agency removed the debt incurrence limit for certain Constituent Project Areas in September 2003, as shown in the table on the following page. The required amount of AB 1290 pass through payments was increased for the 10A Downtown Project due to the SB 211 amendment. Payments were triggered in 2004-05, which is six years sooner than would be required if the SB 211 amendment were not processed.

The Agency has also amended the Redevelopment Plan as authorized by SB 1045 and is in the process of amending the Plan per SB 1096. SB 1045 and SB 1096 required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend certain of their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by up to three years. The time limits for Plan Effectiveness and Debt Repayment shown below include these time extensions.

| Constituent Project Area | Primary Land Use | Acres | Original Adoption | Last Date to Incur Debt | Time Limit for Plan | Time Limit For TI Receipt |
|---|---|---|---|---|---|---|
| 1A Eastshore | Residential | 123 | 8/26/1957 | Deleted | 1/1/2012 | 1/1/2022 |
| 1C Potrero | Residential | 150 | 4/4/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 3A Galvin | Industrial | 95 | 2/28/1955 | Deleted | 1/1/2012 | 1/1/2022 |
| 6A Harbor Gate (Original) | Industrial | 118 | 11/8/1954 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (Original) | Industrial | 90.5 | 5/29/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (1980 Area) | Industrial | 23.5 | 3/31/1980 | Deleted | 3/31/2023 | 3/31/2033 |
| 10A Downtown | Comm. | 107 | 5/23/1966 | Deleted | 1/1/2012 | 1/1/2022 |
| 10B Nevin | Residential | 17 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 11A Harbour | Comm. | 964 | 6/09/1975 | Deleted | 6/9/2018 | 6/9/2028 |
| 12A North Richmond | Comm. | 19 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 6A Harbor Gate (1995 Area) | Industrial | 616 | 6/26/1995 | 7/26/2015 | 7/26/2026 | 7/26/2041 |
| 1A Eastshore (1999 Area) | Comm. | 14 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 6A Harbor Gate (1999 Area) | Industrial | 16 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 8A Hensley (1999 Area) | Residential | 887 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10A Downtown (1999 Area) | Comm. | 174 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (1999 Area) | Comm. | 10 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 11A Harbour (1999 Area) | Comm. | 131 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (2005 Area) | Resid. / Indus. | 1,783 | 7/12/2005 | 7/12/2025 | 7/12/2035 | 7/12/2040 |

Shown below are land uses by taxable value as of 2006-07 for the Project Area.

**LAND USE CATEGORY SUMMARY 2006-07**

| | Parcels | Taxable Value | Percent of Total |
|---|---|---|---|
| Residential | 8,893 | 1,956,917,564 | 60.39% |
| Commercial | 577 | 234,205,456 | 7.23% |
| Industrial | 446 | 694,265,958 | 21.42% |
| Vacant Land | 789 | 62,668,389 | 1.93% |
| Other | 642 | 60,268,238 | 1.86% |
| Total Secured | 11,347 | 3,008,325,605 | 92.83% |
| Unsecured / State Assessed | | 232,339,133 | 7.17% |
| **Grand Total** | | **3,240,664,738** | **100.00%** |

*Property Tax Allocation Procedures*

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and

property tax refunds will impact the amount of tax increment received. For these reasons, Contra Costa County's procedures for the allocation of property taxes and tax increment were evaluated.

Contra Costa County calculates tax increment to redevelopment project areas by applying the current year secured tax rate to secured and unsecured incremental taxable value. The County also allocates unitary revenue to redevelopment projects. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County also does not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Section F of this Report includes a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues.

## Section D – Taxable Values and Historical Revenues

*Taxable Values*

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of it full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) values state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation.

Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454 (Chapter 921, Statues of 1986). State-assessed non-unitary values and railroad values are reported at the local tax rate area level.

*Project Area Value Trends*

Table 1 shows the historical taxable values for the Merged Project Area over the past five years. Taxable values have increased from $1.3 billion in 2002-03 to $3.2 billion in 2006-07. The value for 2006-07 includes, for the first time, the value for the 2005 Amendment Area that was added to Project 10-B. This has had the impact of overstating actual growth in the Project Area. For this reason, we have also included Table 1.1, which excludes the value for the 2005 Amendment Area for comparative purposes. Taxable values for the balance of the Project Area have increased from $1.2 billion in 2002-03 to $1.9 billion in 2006-07. The total percentage change was 62.22 percent over the five-year period. The average annual percentage change in values was 12.86 percent. The analysis below does not include growth that occurred in the 2005 Amendment Area, which is discussed separately.

Secured taxable values increased by approximately $705 million between 2002-03 and 2006-07, as shown on Table 1.1. New development added approximately $60 million. The major new development activity was the transfer of land and the construction of 132 housing units as part of the Olson Transit Village, which added $42 million in value.

Changes of ownership have played a significant role in the growth of assessed values during this period. In order to confirm the impact that changes of ownership have had, we analyzed ownership changes for those Constituent Projects that experienced the most rapid growth (Project 1-C, 6A 1995, 8A, 10A and 11A). Changes of ownership added a total of approximately $250 million in new value between 2002-03 and 2006-07. The top assessee in the Project Area, Lennar Emerald Marina Shores, acquired property in 2006-07, which added almost $89 million in new value. The number two assessee, Lennar Emerald Marina Bay LLC, converted 470 apartments into ownership condominium units. The sale of these units increased values by approximately $40 million as of 2006-07. The remaining value for the parcels that are shown on Table 2 (Ten Major Property Tax Assessees) for Lennar Emerald Marina Bay LLC reflects those that had not been sold as of January 1, 2005.

Smaller changes of ownership have also played a major role in the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over $75 million in new value was added from 305 separate changes of ownership. The average

value of the parcels that changed ownership went from $262,000 in 2004-05 to $509,000 in 2006-07.

The balance of growth on the secured roll can be attributed to the allowable 2 percent inflation factor, other new investment activity, and numerous changes of ownership that occurred in the other Constituent Projects.

Unsecured values increased by approximately $69.7 million between 2003-04 and 2006-07, as shown on Table 1.1. Most of this increase is attributable to the addition of personal property value for Foss Maritime Company in the amount of $34 million in Project 11A. Another $22.2 million is attributable to Kaiser Foundation Hospitals. Kaiser is leasing approximately 60,000 square feet of space, which is not a part of their main hospital site. Tenant improvements and the installation of equipment caused the increase in value. It should be noted that most of the other taxable value for Kaiser is currently on the secured roll and is largely exempt from taxation. Based on discussions with the Contra Costa County Assessor's Office, Kaiser has not filed for an exemption for the leased property for the last two years, and the Assessor suspects that the use (an optical lab) is not exempt from property taxes.

Secured values in Project 10-B (2005 Area) increased by $307.2 million between 2006-07 and the base year value in 2004-05. Smaller changes of ownership were the major reason for the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over $226 million in new value was added from 866 separate changes of ownership. The average value of the parcels that changed ownership went from $189,600 in 2004-05 to $450,700 in 2006-07.

A parcel verification was not performed as part of our analysis of taxable values.

*Historical Tax Increment Revenues*

Table 1 provides information on the historical receipt of tax increment revenues in the Merged Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends. On average, the Agency has received approximately 99.65 percent of the levy over the past four years for the Merged Project Area.

Supplemental property tax receipts are also shown on Table 1. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Supplemental property taxes have ranged from $843,229 in 2002-03 to $1,035,633 in 2005-06. When supplemental revenues are included, the Merged Project Area has received, on average, 105.51 percent of the levy.

*Top Ten Assessees*

The Top Ten Assessees in the Project Area are summarized on Table 2. Taxable value for the Top Ten Assessees represents 14.62 percent of the overall value of the entire Merged Project Area and 23.02 percent of the incremental value of the Merged Project Area.

## Section E – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. The review revealed two open appeals in the Merged Project Area, as shown on the table below.

| | Open Appeals | | | |
|---|---|---|---|---|
| Assessee | Current Roll Value | Applicants Value Opinion | Estimated Resolved (1) Value | Value Reduction |
| Hearst Corporation | $16,049,622 | $3,300,000 | $12,197,713 | $3,851,909 |
| Dicon Fiberoptics | 44,044,102 | 27,000,000 | 33,473,518 | 10,570,584 |
| Total | 60,093,724 | 30,300,000 | 45,671,230 | 14,422,494 |

(1) See text for assumptions.

There are three open appeals for two property owner, as shown above. The owners have requested reductions in value of $29.8 million. For purposes of the projections shown in Section F, we have estimated the potential impact of the open appeals based on success

factor ratios since 2003 in the Project Area. Over this time period, 95 appeals have been resolved. Seventy nine of these were either denied by the County or withdrawn by the property owner. Sixteen property owners were successful with their appeals. On average, reductions in value equaled 24 percent for the successful appeals. Based on this, we have assumed a 24 percent decrease in value for the open appeals. This would result in a reduction in future taxable values of $14.4 million. For purposes of the tax increment projections discussed in Section F and shown on Table 4, we have reduced taxable value for the impact of open appeals in the 2007-08 fiscal year.

Contra Costa County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, we have not reduced tax increment revenues for the impact of refunds.

## Section F - Estimate of Current and Future Tax Increment Revenue

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to each Constituent Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues for its project areas on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Constituent Project Areas on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

*Current Year Revenues*

Projections of current year (2006-07) tax increment revenues are shown on Table 3. The values utilized are based on actual taxable values provided by Contra Costa County. It should be noted that Projects 3-A and 6-A are not eligible to receive tax increment revenue from either secured personal property or any type of unsecured value. As a result, the values reported by the County exclude $32.9 million in secured personal property and unsecured value attributable to these two Constituent Project Areas.

Tax increment generated from the application of the tax rate to incremental taxable value for 2006-2007 is estimated at $22,719,000 in the Merged Project Area. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2006-07 are based on the

actual tax rates reported by the County for 2006-07. The overall tax rate that we applied to total incremental taxable value equals $1.1485 per $100 of assessed value. The major portion of the debt service tax rate ($0.1400) is levied for pension obligations of the City of Richmond.

Unitary revenue for the Merged Project Area is estimated to equal $113,000 for the 2006-07 fiscal year. The estimates are based on the County's estimate of unitary revenues in each of the Constituent Project Areas for 2006-07.

*Projected Revenues*

Tables 4 and 4.1 show a projection of tax increment revenues. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Contra Costa County for 2006-07 (see "Current Year Revenues" above). For 2007-08 and future fiscal years, we have used a 2 percent factor for the entire Merged Project Area for purposes of the projections shown on Table 4. That reflects the factor which assessors have been directed to use by the SBE in preparing the 2007-08 tax roll. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years, the inflation factor has been less than 2 percent overall. The other property category of value has been held constant in the projections shown on Table 4. The projections of taxable values shown on Table 4.1 have been held constant.

In addition, we have increased real property values for the Anchor Cove townhouse development, which is currently under construction in the Harbour 11A Project. The development includes 128 townhouse units that are estimated to add taxable value to the 2007-08 through 2009-10 tax roll. New development value has only been added on Table 4.

Increases in real property values have been offset by the estimated impact of open assessment appeals. Appeals are estimated to reduce real property values by $14.4 million. Reductions have been reflected for 2007-08 in the projections shown on Table 4.

Tax increment has been estimated based on the application of the 2006-07 tax rate to the incremental taxable value of the Project Area. Debt service tax rates typically decline each year due to the growth of taxable values within the jurisdiction that levies the tax or as the debt is retired. Debt service tax rates are, in part, based on the rate levied for pension obligations for the City of Richmond, which equals $0.1400 per $100 of assessed value. That debt service tax rate is levied pursuant to Article XI of the City's Charter and Ordinance No. 9-99 adopted by the City Council on March 30, 1999. The levy of the tax rate does not have a specific ending date. Based on information provided by City staff, the tax rate has been levied at $0.1400 per $100 of assessed value since 1982-83. We

have confirmed that the rate has remained constant since 1991-92. The City also issued Pension Bonds in 1999 and 2005 that are secured by the Pension tax rate. The City is required pursuant to the Trust Agreement and Indenture of Trust to levy the tax rate through the final maturity of the Pension Bonds in January 2035. Data provided to us also shows that pension obligations are projected to require the levy of the full debt service tax rate in the future, even after the Pension Bonds are retired.

The East Bay Regional Park District also levies a debt service tax rate that equals $0.0085 in 2006-07. That tax rate will no longer be levied after 2020-21. We have assumed that the rate would decline by 10 percent per year for purposes of the projections shown on Table 4. We have not included the debt service tax rate for the East Bay Regional Park District on Table 4.1.

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 4 do not include post January 1, 1989 tax rates.

Unitary revenues shown in the projection are based on the actual 2006-07 unitary revenues reported for the Merged Project Areas, as provided by Contra Costa County. Unitary revenues have been held constant in the projection.

## Section G – Adjustments and Liens on Tax Increment

The tax increment revenues of the Merged Project Area are subject to certain adjustments and liens, as described in this section. The resulting amount reflects the Available Tax Revenues, as defined in the Non-Housing Loan Agreement.

*Adjustments to Revenue*

One adjustment to tax increment revenues is for property tax administrative fees collected by Contra Costa County. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

*Housing Set-Aside*

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate-income housing programs. The housing set-aside deposit has been deducted from gross tax increment revenues to show estimated revenues that will be available to repay the Non-Housing Loan.

*Tax Sharing Payments*

Pursuant to 1994 legislation (AB 1290), the Agency is required to make payments to the affected taxing entities from the Merged Project Area. The payments are calculated

somewhat differently for the parts of the Merged Project Area that were adopted prior to AB 1290 (Pre-AB 1290) and the areas that were added after AB 1290 (6A Harbour Gate 1995 Area, and the 2000 & 2005 Amendment Areas).

The payments for the Pre-AB 1290 Constituent Project Areas are required because the financial and time limitations for the various Redevelopment Plans have been amended since AB 1290 was enacted. Payments of the pass through payments are only due on increases in tax increment revenues above levels received in certain years. These years are referred to as the "AB 1290 AV Base Year" and are different for the various Constituent Project Areas.

The table below shows, for each Pre-AB 1290 Constituent Project Area, the dates when AB 1290 pass through payments began. The table also shows the AB 1290 AV Base Year, which represents the date after which the Agency owes pass through payments on any tax increment increases.

| Constituent Project Area | AB 1290 AV Base | FY Pass Thru Begins |
|---|---|---|
| 1A Eastshore | 1990-91 | 1999-00 |
| 1C Potrero | 1999-00 | 2000-01 |
| 3A Galvin | 1991-92 | 1999-00 |
| 6A Harbor Gate (Original) | 1990-91 | 1995-96 |
| 8A Hensley (Original) | 1993-94 | 1999-00 |
| 8A Hensley (1980 Area) | 1993-94 | 1999-00 |
| 10A Downtown | 2003-04 | 2004-05 |
| 10B Nevin | 2002-03 | 2003-04 |
| 12A North Richmond | 2002-03 | 2003-04 |
| 11 A Harbour | 2003-04 | 2004-05 |

For the 1995 Harbour Gate Area and the 1999 & 2005 Amendment Areas, pass through payments are due based on the total tax increment generated in those areas. The pass through payments for all Projects are based on a three tier formula, and payments are made after the Agency's deposit to its housing set-aside. The table below shows the calculation methodology.

| Tier | Payment Required |
|---|---|
| Tier 1 | Pre-AB 1290 Projects: 20% of the gross tax increment attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Agency receives tax increment.<br><br>Post-AB 1290 Projects: 20% of total tax increment during the entire term the Agency receives tax increment. |

| | |
|---|---|
| Tier 2 | Pre-AB 1290 Projects: Beginning in the 11th year after the AB 1290 pass through was triggered, an additional payment equal to 16.8% of the gross tax increment attributable to growth above levels in the 10th year after the AB 1290 pass through was triggered.<br><br>Post-AB 1290 Projects: Beginning in the 11th year, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels. |
| Tier 3 | Pre-AB 1290 Projects: No Tier 3 payments are due since the Project Areas will no longer be receiving tax increment in the year in which this tier is triggered.<br><br>Post-AB 1290 Projects: Beginning in the 31st year, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels. |

We have noted two inconsistencies in the County's calculation of the AB 1290 pass through payments, including:

1. The County does not include any tax increment generated from debt service tax rates in the tax sharing payment amount.
2. Payments should have begun for Project 10-A and 11-A in 2004-05.

We estimate that the County method understated tax sharing payments by approximately $378,000 for 2005-06. For purposes of the tax sharing payment amounts shown on Tables 4, we have corrected for each of these problems and shown the amounts that we estimate are owed.

*Senior Harbour Debt Service*

The Agency issued tax allocation bonds in 1991 and 1998 that have a senior lien on certain tax increment revenues generated in the Harbour 11A Project. Maximum Annual Debt Service on those bond issues has been deducted in order to determine Post-2004 Pledged Tax Revenues.

*Senior Merged Area Debt Service*

The pledge of tax increment revenues under the Non-Housing Loan Agreement are subordinate to the Senior Merged Area Debt Service. The Senior Merged Area Debt Service includes payments due under the Agency's 2003 Loan Agreement and the Pre-2004 Loan Agreement. However, coverage is calculated on the basis of Available Tax Revenues, which includes the Senior Merged Area Debt Service, so we have not reduced the tax increment revenues shown on Table 4 or Table 4.1 for the Senior Merged Area Debt Service.

## Section H – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

*Educational Revenue Augmentation Fund (ERAF)*

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift $75 million of tax increment revenues to ERAF in 2002-03, $135 million in 2003-04 and $250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. There is no current requirement for an ERAF payment in 2006-07 or any future fiscal year. The Agency reports that prior ERAF contributions were made in the amounts shown in the table below:

| **Fiscal Year** | |
|---|---|
| 2002-03 | $360,210 |
| 2003-04 | $635,637 |
| 2004-05 | $1,204,003 |
| 2005-06 | $1,167,821 |

Table 1
Richmond Redevelopment Agency
Merged Project Area

## Historical Taxable Values and Tax Increment Revenues (1)

| Description | 2002/03 | 2003/04 | % Change | 2004/05 | % Change | 2005-06 | % Change | 2006-07 (3) | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Secured | 1,192,561,854 | 1,385,790,906 | 16.20% | 1,451,720,473 | 4.76% | 1,614,074,406 | 11.18% | 3,013,490,161 | 86.70% |
| Utility Roll | 1,905,016 | 5,995,261 | 0.00% | 3,279,581 | 0.00% | 3,492,968 | 0.00% | 4,373,439 | 0.00% |
| Unsecured | 99,591,242 | 128,938,843 | 29.47% | 163,232,370 | 26.60% | 145,455,195 | -10.89% | 216,205,943 | 48.64% |
| TOTAL VALUE | 1,294,058,112 | 1,520,725,010 | 17.52% | 1,618,232,424 | 6.41% | 1,763,022,569 | 8.95% | 3,234,069,543 | 83.44% |
| Base Year Value | 281,225,459 | 426,143,038 | | 426,143,038 | | 426,143,038 | | 1,256,027,439 | |
| Incremental Value | 1,012,832,653 | 1,094,581,972 | | 1,192,089,386 | | 1,336,879,531 | | 1,978,042,104 | |
| Tax Increment Levy | 11,613,183 | 12,541,764 | | 13,658,942 | | 15,317,926 | | 22,719,173 | |
| Unitary Revenue | 114,595 | 119,645 | | 116,546 | | 123,702 | | 113,069 | |
| Less Pass Through (3) | (178,245) | (239,420) | | (324,149) | | (434,072) | | 0 | |
| Less Admin Fee (3) | (126,128) | (113,439) | | (129,843) | | (131,967) | | 0 | |
| TOTAL LEVY | $11,423,405 | $12,308,550 | | $13,321,496 | | $14,875,589 | | $22,832,242 | |
| Actual Receipts, less Supplemental Revenue | 11,426,101 | 12,301,423 | | 13,240,987 | | 14,777,511 | | N/A | |
| PERCENTAGE OF LEVY | 100.02% | 99.94% | | 99.40% | | 99.34% | | N/A | |
| Supplemental Revenues | 843,229 | 441,053 | | 723,246 | | 1,035,633 | | N/A | |
| TOTAL RECEIPTS | 12,269,330 | 12,742,476 | | 13,964,233 | | 15,813,144 | | N/A | |
| PERCENTAGE OF LEVY | 107.41% | 103.53% | | 104.82% | | 106.30% | | N/A | |

| | |
|---|---|
| Total Percentage Assessed Value Change (2) | 36.24% |
| Average Percentage Assessed Value Change (2) | 10.86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99.65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105.51% |

(1) Includes the entire Merged Project Area.
(2) Comparison between 2002-03 and 2005-06. The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth. Table 1.2 shows trend excluding Area 10B.
(3) Actual amounts from County for 2006-07 not yet available.

Table 1.1
Richmond Redevelopment Agency
Merged Project Area

## Historical Taxable Values and Tax Increment Revenues - Excluding Area 10B 2005 (1)

| Description | 2002/03 | 2003/04 | % Change | 2004/05 | % Change | 2005-06 | % Change | 2006-07 (3) | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Secured | 1,192,561,854 | 1,385,790,906 | 16.20% | 1,451,720,473 | 4.76% | 1,614,074,406 | 11.18% | 1,897,239,531 | 17.54% |
| Utility Roll | 1,905,016 | 5,995,261 | 0.00% | 3,279,581 | 0.00% | 3,492,968 | 0.00% | 3,331,217 | 0.00% |
| Unsecured | 99,591,242 | 128,938,843 | 29.47% | 163,232,370 | 26.60% | 145,455,195 | -10.89% | 198,682,615 | 36.59% |
| TOTAL VALUE | 1,294,058,112 | 1,520,725,010 | 17.52% | 1,618,232,424 | 6.41% | 1,763,022,569 | 8.95% | 2,099,253,363 | 19.07% |
| Base Year Value | 281,225,459 | 426,143,038 | | 426,143,038 | | 426,143,038 | | 428,675,534 | |
| Incremental Value | 1,012,832,653 | 1,094,581,972 | | 1,192,089,386 | | 1,336,879,531 | | 1,670,577,829 | |
| Tax Increment Levy | 11,613,183 | 12,541,764 | | 13,658,942 | | 15,317,926 | | 19,187,946 | |
| Unitary Revenue | 114,595 | 119,645 | | 116,546 | | 123,702 | | 113,069 | |
| Less Pass Through (2) | (178,245) | (239,420) | | (324,149) | | (434,072) | | 0 | |
| Less Admin Fee (2) | (126,128) | (113,439) | | (129,843) | | (131,967) | | 0 | |
| TOTAL LEVY | $11,423,405 | $12,308,550 | | $13,321,496 | | $14,875,589 | | $19,301,015 | |
| Actual Receipts, less Supplemental Revenue | 11,426,101 | 12,301,423 | | 13,240,987 | | 14,777,511 | | N/A | |
| PERCENTAGE OF LEVY | 100.02% | 99.94% | | 99.40% | | 99.34% | | N/A | |
| Supplemental Revenues | 843,229 | 441,053 | | 723,246 | | 1,035,633 | | N/A | |
| TOTAL RECEIPTS | 12,269,330 | 12,742,476 | | 13,964,233 | | 15,813,144 | | N/A | |
| PERCENTAGE OF LEVY | 107.41% | 103.53% | | 104.82% | | 106.30% | | N/A | |

| | |
|---|---|
| Total Percentage Assessed Value Change | 62.22% |
| Average Percentage Assessed Value Change | 12.86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99.65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105.51% |

(1) Excludes Project 10B 2005 for comparative purposes.
(2) Actual amounts from County for 2006-07 not yet available.

Table 2
Richmond Redevelopment Agency
Merged Project Area

**TEN MAJOR PROPERTY TAX ASSESSEES**

| Assessee | Type of Use | Secured | Unsecured | 2006-07 Taxable Value (1) | % of Total Value (2) | % of Inc Value (2) |
|---|---|---|---|---|---|---|
| 1) Lennar Emerald Marina Shores | Residential | $156,726,225 | $175,000 | $156,901,225 | 4.85% | 7.93% |
| 2) Lennar Emerald Marina Bay LLC | Residential | 50,742,204 | 265,000 | 51,007,204 | 1.58% | 2.58% |
| 3) Cherokee Simeon Venture I LLC | Commercial | 44,987,470 | 0 | 44,987,470 | 1.39% | 1.39% |
| 4) Dicon Fiberoptics Inc. | Industrial | 44,044,102 | 0 | 44,044,102 | 1.36% | 2.23% |
| 5) Foss Maritime Company | Unsecured | 0 | 34,369,332 | 34,369,332 | 1.06% | 1.74% |
| 6) California Fats & Oils Inc. | Industrial | 34,095,361 | 0 | 34,095,361 | 1.05% | 1.72% |
| 7) Kaiser Foundation Hospital | Hospital | 8,595,430 | 24,573,551 | 33,168,981 | 1.03% | 1 68% |
| 8) BP West Coast Products | Industrial | 25,047,078 | 1,765,468 | 26,812,546 | 0.83% | 1.36% |
| 9) Tosco Corporation | Industrial | 26,346,985 | 365,273 | 26,712,258 | 0.83% | 1.35% |
| 10) GATX Terminals Corporation | Industrial | 20,694,977 | 0 | 20,694,977 | 0.64% | 1.05% |
| **Total Valuation** | | **$411,279,832** | **$61,513,624** | **$472,793,456** | **14.62%** | **23.02%** |

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2006-07 Project Area taxable value of $3,234,069,543 and incremental value of $1,978,042,104.

Table 3
Richmond Redevelopment Agency
Merged Project Area

**ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2006-07**

| | Taxable Value (1) |
|---|---|
| Local Secured | |
| Land | 1,250,477,444 |
| Improvements | 1,926,894,223 |
| Personal Property | 28,279,363 |
| Gross Local Secured | 3,205,651,030 |
| Exempt | 192,160,869 |
| Net Local Secured | 3,013,490,161 |
| State Assessed | 4,373,439 |
| Unsecured | |
| Land | 17,728,100 |
| Improvements | 61,709,994 |
| Personal Property | 146,042,973 |
| Total Unsecured | 225,481,067 |
| Exempt | 9,275,124 |
| Net Unsecured | 216,205,943 |
| Total Value | 3,234,069,543 |
| Base Year Taxable Value | 1,256,027,439 |
| Incremental Taxable Value | 1,978,042,104 |
| Tax Increment (2) | 22,719,173 |
| Unitary Tax Increment | 113,069 |
| **Total Tax Increment Revenue** | **22,832,242** |
| *Adjustments to Tax Increment Revenue:* | |
| Property Tax Administration Fees (3) | 205,605 |
| *Liens on Tax Increment* | |
| Housing Set-Aside (4) | 4,566,142 |
| AB 1290 Tax Sharing (5) | 2,311,294 |
| Senior Harbour Debt Service (6) | 2,336,563 |
| **Available Tax Revenues** | **$13,412,638** |

(1) Based on taxable values per Contra Costa County Auditor-Controller.
(2) Calculated based on the application of the total tax rate to incremental value.
(3) Estimated based on percentage that 2005-06 actual amount represented to total tax increment.
(4) Based on 20 percent of total tax increment revenue net of adjustments.
(5) Tax sharing payments per the provisions of AB 1290.
(6) Maximum annual debt service on Senior Harbour bonds.

Table 4
Richmond Redevelopment Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE**
**COMBINED PROJECT AREA**
(000 s Omitted)

| Fiscal Year | | | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1 256 027 | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior Harbour (8) Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | 2007 | | N/A | N/A | $3 064 649 | $169 421 | $3 234 070 | $1 978 042 | $22 718 | $113 | $22 831 | $206 | $4 566 | $2 311 | $15 748 | $2 337 | $13 411 |
| 2007 | 2008 | | 3 111 231 | 16 000 | 3 127 231 | 169 421 | 3 296 651 | 2 040 624 | 23 419 | 113 | 23 532 | 212 | 4 706 | 2 468 | 16 146 | 2 337 | 13 809 |
| 2008 | 2009 | | 3 189 775 | 22 400 | 3 212 175 | 169 421 | 3 381 596 | 2 125 568 | 24 378 | 113 | 24 491 | 220 | 4 898 | 2 667 | 16 705 | 2 337 | 14 369 |
| 2009 | 2010 | | 3 276 419 | 25 600 | 3 302 019 | 169 421 | 3 471 439 | 2 215 412 | 25 393 | 113 | 25 506 | 230 | 5 101 | 2 877 | 17 298 | 2 337 | 14 961 |
| 2010 | 2011 | | 3 368 059 | 0 | 3 368 059 | 169 421 | 3 537 480 | 2 281 452 | 26 136 | 113 | 26 249 | 236 | 5 250 | 3 039 | 17 724 | 2 337 | 15 387 |
| 2011 | 2012 | | 3 435 420 | 0 | 3 435 420 | 169 421 | 3 604 841 | 2 348 813 | 26 894 | 113 | 27 007 | 243 | 5 401 | 3 225 | 18 137 | 2 337 | 15 801 |
| 2012 | 2013 | | 3 504 129 | 0 | 3 504 129 | 169 421 | 3 673 549 | 2 417 522 | 27 669 | 113 | 27 782 | 250 | 5 556 | 3 416 | 18 560 | 2 337 | 16 223 |
| 2013 | 2014 | | 3 574 211 | 0 | 3 574 211 | 169 421 | 3 743 632 | 2 487 604 | 28 460 | 113 | 28 573 | 257 | 5 715 | 3 610 | 18 991 | 2 337 | 16 655 |
| 2014 | 2015 | | 3 645 695 | 0 | 3 645 695 | 169 421 | 3 815 116 | 2 559 089 | 29 267 | 113 | 29 380 | 265 | 5 876 | 3 813 | 19 427 | 2 337 | 17 090 |
| 2015 | 2016 | | 3 718 609 | 0 | 3 718 609 | 169 421 | 3 888 030 | 2 632 002 | 30 092 | 113 | 30 204 | 272 | 6 041 | 4 065 | 19 826 | 2 337 | 17 490 |
| 2016 | 2017 | | 3 792 981 | 0 | 3 792 981 | 169 421 | 3 962 402 | 2 706 375 | 30 933 | 113 | 31 046 | 280 | 6 209 | 4 323 | 20 234 | 2 337 | 17 898 |
| 2017 | 2018 | | 3 868 841 | 0 | 3 868 841 | 169 421 | 4 038 262 | 2 782 234 | 31 792 | 113 | 31 905 | 287 | 6 381 | 4 638 | 20 599 | 2 337 | 18 262 |
| 2018 | 2019 | | 3 946 218 | 0 | 3 946 218 | 169 421 | 4 115 639 | 2 859 611 | 32 668 | 113 | 32 781 | 295 | 6 556 | 4 959 | 20 971 | 2 337 | 18 634 |
| 2019 | 2020 | | 4 025 142 | 0 | 4 025 142 | 169 421 | 4 194 563 | 2 938 535 | 33 563 | 113 | 33 676 | 303 | 6 735 | 5 286 | 21 351 | 2 337 | 19 014 |
| 2020 | 2021 | | 4 105 645 | 0 | 4 105 645 | 169 421 | 4 275 066 | 3 019 038 | 34 476 | 113 | 34 589 | 311 | 6 918 | 5 620 | 21 739 | 2 337 | 19 402 |
| 2021 | 2022 | | 3 559 661 | 0 | 3 559 661 | 142 097 | 3 701 758 | 2 484 194 | 28 320 | 65 | 28 385 | 256 | 5 677 | 5 012 | 17 441 | 2 337 | 15 104 |
| 2022 | 2023 | | 3 630 854 | 0 | 3 630 854 | 142 097 | 3 772 951 | 2 555 387 | 29 131 | 65 | 29 197 | 263 | 5 839 | 5 311 | 17 784 | 2 337 | 15 447 |
| 2023 | 2024 | | 3 703 471 | 0 | 3 703 471 | 142 097 | 3 845 568 | 2 628 004 | 29 959 | 65 | 30 025 | 270 | 6 005 | 5 615 | 18 134 | 0 | 18 134 |
| 2024 | 2025 | (9) | 3 741 749 | 0 | 3 741 749 | 142 097 | 3 883 846 | 2 668 011 | 30 415 | 61 | 30 477 | 274 | 6 095 | 5 856 | 18 251 | 0 | 18 251 |
| 2025 | 2026 | | 2 376 227 | 0 | 2 376 227 | 46 700 | 2 422 928 | 1 258 412 | 14 346 | 6 | 14 352 | 129 | 2 870 | 3 771 | 7 582 | 0 | 7 582 |
| 2026 | 2027 | | 2 423 752 | 0 | 2 423 752 | 46 700 | 2 470 452 | 1 305 936 | 14 888 | 6 | 14 894 | 134 | 2 979 | 3 970 | 7 811 | 0 | 7 811 |
| 2027 | 2028 | | 2 472 227 | 0 | 2 472 227 | 46 700 | 2 518 927 | 1 354 411 | 15 440 | 6 | 15 446 | 139 | 3 089 | 4 179 | 8 039 | 0 | 8 039 |
| 2028 | 2029 | | 2 521 672 | 0 | 2 521 672 | 46 700 | 2 568 372 | 1 403 856 | 16 004 | 6 | 16 010 | 144 | 3 202 | 4 393 | 8 271 | 0 | 8 271 |
| 2029 | 2030 | | 2 572 105 | 0 | 2 572 105 | 46 700 | 2 618 805 | 1 454 289 | 16 579 | 6 | 16 585 | 149 | 3 317 | 4 610 | 8 508 | 0 | 8 508 |
| 2030 | 2031 | | 2 623 547 | 0 | 2 623 547 | 46 700 | 2 670 247 | 1 505 731 | 17 165 | 6 | 17 171 | 155 | 3 434 | 4 832 | 8 750 | 0 | 8 750 |
| 2031 | 2032 | | 2 676 018 | 0 | 2 676 018 | 46 700 | 2 722 718 | 1 558 202 | 17 764 | 6 | 17 770 | 160 | 3 554 | 5 073 | 8 982 | 0 | 8 982 |
| 2032 | 2033 | | 2 729 538 | 0 | 2 729 538 | 46 700 | 2 776 238 | 1 611 723 | 18 374 | 6 | 18 380 | 166 | 3 676 | 5 290 | 9 248 | 0 | 9 248 |
| 2033 | 2034 | | 2 784 129 | 0 | 2 784 129 | 46 700 | 2 830 829 | 1 666 313 | 18 996 | 6 | 19 002 | 171 | 3 800 | 5 570 | 9 460 | 0 | 9 460 |
| 2034 | 2035 | | 2 839 812 | 0 | 2 839 812 | 46 700 | 2 886 512 | 1 721 996 | 19 631 | 6 | 19 637 | 177 | 3 927 | 5 826 | 9 706 | 0 | 9 706 |
| 2035 | 2036 | | 2 896 608 | 0 | 2 896 608 | 46 700 | 2 943 308 | 1 778 792 | 20 278 | 6 | 20 284 | 183 | 4 057 | 6 087 | 9 957 | 0 | 9 957 |
| 2036 | 2037 | | 2 954 540 | 0 | 2 954 540 | 46 700 | 3 001 240 | 1 836 724 | 20 939 | 6 | 20 945 | 189 | 4 189 | 6 354 | 10 213 | 0 | 10 213 |

(1) Prior Year Real Property increased by 2 percent per year The value for 2007 08 has been reduced for open appeals
(2) Based on 128 unit Anchor Cove townhouse development
(3) Includes the value of secured and unsecured personal property and state assessed railroad and non unitary property
(4) Based on the application of Project Area tax rates to the total incremental taxable value
(5) Based on amount reported by Contra Costs County for 2006 07
(6) Property tax administration fees are based on 1 percent of tax increment which is the percentage that such fees represented in 2005 06
(7) Tax sharing payments per AB 1290
(8) Maximum annual debt service on Senior Harbour bonds
(9) Reflects year in which tax increment limit is projected to be reached for a portion of the Project Area

Table 4 1
Richmond Redevelopment Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE**
**COMBINED PROJECT AREA**
(000 s Omitted)

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1 256 027 | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior Harbour (8) Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 - 2007 | N/A | N/A | $3 064 649 | $169 421 | $3 234 070 | $1 978 042 | $22 550 | $113 | $22 663 | $204 | $4 533 | $2 294 | $15 632 | $2 337 | $13 295 |
| 2007 2008 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2008 - 2009 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2009 - 2010 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2010 - 2011 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2011 2012 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2012 - 2013 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2013 - 2014 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2014 - 2015 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2015 - 2016 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2016 - 2017 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2017 2018 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2018 - 2019 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2019 2020 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2020 - 2021 | 3 064 649 | 0 | 3 064 649 | 169 421 | 3 234 070 | 1 978 042 | 22 550 | 113 | 22 663 | 204 | 4 533 | 2 294 | 15 632 | 2 337 | 13 295 |
| 2021 - 2022 | 2 594 111 | 0 | 2 594 111 | 142 097 | 2 736 209 | 1 518 644 | 17 313 | 65 | 17 378 | 156 | 3 476 | 1 916 | 11 830 | 2 337 | 9 493 |
| 2022 2023 | 2 594 111 | 0 | 2 594 111 | 142 097 | 2 736 209 | 1 518 644 | 17 313 | 65 | 17 378 | 156 | 3 476 | 1 916 | 11 830 | 2 337 | 9 493 |
| 2023 - 2024 | 2 594 111 | 0 | 2 594 111 | 142 097 | 2 736 209 | 1 518 644 | 17 313 | 65 | 17 378 | 156 | 3 476 | 1 916 | 11 830 | 0 | 11 830 |
| 2024 - 2025 | 2 569 052 | 0 | 2 569 052 | 142 097 | 2 711 149 | 1 495 314 | 17 047 | 61 | 17 108 | 154 | 3 422 | 1 883 | 11 649 | 0 | 11 649 |
| 2025 - 2026 | 2 569 052 | 0 | 2 569 052 | 142 097 | 2 711 149 | 1 495 314 | 17 047 | 61 | 17 108 | 154 | 3 422 | 1 883 | 11 649 | 0 | 11 649 |
| 2026 2027 | 2 569 052 | 0 | 2 569 052 | 142 097 | 2 711 149 | 1 495 314 | 17 047 | 61 | 17 108 | 154 | 3 422 | 1 883 | 11 649 | 0 | 11 649 |
| 2027 2028 | 2 569 052 | 0 | 2 569 052 | 142 097 | 2 711 149 | 1 495 314 | 17 047 | 61 | 17 108 | 154 | 3 422 | 1 883 | 11 649 | 0 | 11 649 |
| 2028 - 2029 | 1 635 357 | 0 | 1 635 357 | 47 018 | 1 682 375 | 517 592 | 5 901 | 7 | 5 907 | 53 | 1 181 | 1 171 | 3 502 | 0 | 3 502 |
| 2029 - 2030 | 1 635 357 | 0 | 1 635 357 | 47 018 | 1 682 375 | 517 592 | 5 901 | 7 | 5 907 | 53 | 1 181 | 1 171 | 3 502 | 0 | 3 502 |
| 2030 - 2031 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2031 2032 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2032 - 2033 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2033 2034 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2034 - 2035 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2035 - 2036 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |
| 2036 - 2037 | 1 631 116 | 0 | 1 631 116 | 46 700 | 1 677 816 | 513 300 | 5 852 | 6 | 5 858 | 53 | 1 172 | 1 170 | 3 463 | 0 | 3 463 |

(1) Prior Year Real Property held constant
(2) No new development included in the projections
(3) Includes the value of secured and unsecured personal property and state-assessed railroad and non-unitary property
(4) Based on the application of Project Area tax rates to the total incremental taxable value Excludes tax rate levied by East Bay Regional Park District
(5) Based on amount reported by Contra Costs County for 2006-07
(6) Property tax administration fees are based on 1 percent of tax increment which is the percentage that such fees represented in 2005-06
(7) Tax sharing payments per AB 1290
(8) Maximum annual debt service on Senior Harbour bonds

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX I

## BASIC FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDING JUNE 30, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

# CITY OF RICHMOND
# REDEVELOPMENT AGENCY

## COMPONENT UNIT FINANCIAL STATEMENTS
## FOR YEAR ENDED
## JUNE 30, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

**RICHMOND REDEVELOPMENT AGENCY**
**Component Unit Financial Statements**
**For year ended June 30, 2006**

## Table of Contents


**Page**

**Independent Auditor's Report** ..... 1

**Management's Discussion and Analysis** ..... 3

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets ..... 12

Statement of Activities ..... 13

Fund Financial Statements:

Major Governmental Funds:

Balance Sheet ..... 16

Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 18

Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities ..... 20

Statement of Fiduciary Net Assets – Fiduciary Funds ..... 21

Notes to Component Unit Financial Statements ..... 23

**Required Supplemental Information:**

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual, General Fund ..... 44

Notes to Budgetary Comparison Schedule ..... 45

**Combining and Individual Fund Statements and Schedules:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 46

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 48

Statement of Changes in Assets and Liabilities – Agency Fund ..... 50

**RICHMOND REDEVELOPMENT AGENCY**
**Component Unit Financial Statements**
**For year ended June 30, 2006**

## Table of Contents

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*** ..... 51

Schedule of Current Year Findings ..... 53

Status of Prior Year Findings ..... 54

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

## INDEPENDENT AUDITORS' REPORT

Members of the City of Richmond
Redevelopment Agency
Richmond, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the City of Richmond Redevelopment Agency, a component unit of the City of Richmond, for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the component unit financial statements referred to above present only the Agency and are not intended to present the financial position of the City of Richmond and the results of its operations in conformity with generally accepted accounting principles of the United States of America.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund of the City of Richmond Redevelopment Agency as of June 30, 2006 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Budget and Actual Statement for the General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the City of Richmond Redevelopment Agency. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Maze and Associates

December 15, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Richmond Community Redevelopment Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### USING THIS ANNUAL REPORT

This Annual Financial Report consists of the Financial Section, which includes Management's Discussion and Analysis (this part) as well as:

- The Basic Financial Statements, which include the Government-Wide and the Fund Financial Statements
- Notes to these financial statements
- Required Supplemental Information

The financial statements presented herein include all of the activities of the Richmond Community Redevelopment Agency of the City of Richmond (Agency) using the integrated approach as prescribed by GASB Statement No. 34.

### FINANCIAL HIGHLIGHTS

Blight eliminating, property enhancing and economic development projects financed and/or sponsored by the Agency during the year included:

- Project activities that will increase tax increment creation included the Terminal One, Northshore and Westshore residential projects, as well as the East Macdonald I-80 Shopping Center, Transit Village, 12th and Macdonald mixed-use development.
- Commenced construction on a $6.0 million Intermodal Station Building at the Transit Village to be completed in the first quarter of 2007.
- Completed the development documents and entitlements for the three commercial pads, approximately 15,000 square feet, on the west side of the Transit Village. Construction to commence in February 2007.
- Commenced design of the 800 space parking structure at the Transit Village to enable Phase II of the project to begin, including parcels now used as surface parking on the eastern portion of the BART station.
- Worked with the project developer to attract several new tenants to the Ford Assembly Building; approximately 80% of this 565,000 square foot building is now under lease.
- Completed the remediation of the Terminal One site, surpassing clean-up standards set by Department of Toxic Substances Control (DTSC).

- Facilitated the completion of the Terminal One project entitlements, clearing the way for site acquisition by the project developer and the development of approximately 320 condominium units on a former Brownfield site.

- Designed, bid and constructed the eastern segment of the Macdonald Avenue streetscape improvements from 39th Street to San Pablo Avenue at a cost of $3.4 million

- Completed 90% design drawings for Phase II of the Macdonald Avenue streetscape improvements, a 19 block segment from Garrard Boulevard to 19th Street.

- Drafted an RFP for circulation in early 2007 for the design of the remaining segments of the Macdonald Avenue streetscape improvements from 19th Street, through the Civic Center area and connecting at 41st Street.

- Completed the acquisition of all parcels for the mixed-used project by A.F. Evans, located at 12th and Macdonald Avenue in downtown Richmond, to include 237 for sale residential condominiums and 24,000 square feet of retail space.

- Completed the design of Phase I improvements of Harbour Way South from Hall Avenue to the shoreline and committed $800,000 in construction funds from the Agency for this effort. Project under construction and is scheduled for completion in April 2007.

- Executed a contract and transferred the property at 19th and Macdonald to a property owner relocated from the 12th and Macdonald Avenue mixed-use project site.

- Entered into 25 contracts to assist commercial property owners with exterior improvements to their businesses. Loans total $500,000

- Entered into the phase 1-A agreement for the design, entitlement, demolition and abatement work for the Civic Center Project. Work underway for the 1-A component with the 1-B work, approximately $78 million, scheduled to commence following City Council authorization in April 2007.

- Finalized property acquisitions and relocations as part of the 160,000 square foot Target project. Building demolition is underway with construction to commence in Spring 2007

- Initiated the design and community participation effort as part of the Nevin Park revitalization program.

- Finalizing site remediation of a 1.7 acre parcel in Marina Bay under the direction of DTSC. Remediation effort will allow site development as part of a Master Development Agreement. Clean up costs are expected to be approximately $950,000.

- Continuing to support road reconstruction program throughout the redevelopment project areas. $1 million spent in 2006.

**The Basic Financial Statements – Reporting the Agency as a Whole**

The Basic Financial Statements comprise the Government-Wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Government-Wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets.* The *Statement of Net Assets* provides information about the financial position of the Agency as a whole, including all capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in the Agency's net assets may serve as an indicator of the Agency's *overall* financial health. Other factors to consider are changes in the Agency's property tax base and the ability to meet debt service payments. The *Statement of Activities and Changes in Net Assets* provides information about all of the Agency's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the Agency's programs. The Statement of Activities explains in detail the changes in Net Assets for the year.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets,* the Agency's activities are separated as follows:

Governmental Activities – all of the Agency's basic services are considered to be governmental activities, including development services and interest on long-term debt.

Government-Wide Financial Statements - are prepared on the accrual basis, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Reporting the Agency's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide detailed information about the Agency's funds. Some funds are required to be established by State law and by bond covenants. However, the Agency Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

- *Governmental funds* – all of the Agency's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Capital assets and other long-lived assets, along with long-term liabilities are not presented in the Governmental Fund Financial Statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) and Governmental Fund Financial Statements are explained in a reconciliation schedule following each Governmental Fund Financial Statement.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the Agency's budgetary principals and comparison schedules for the General Fund.

## THE AGENCY AS A WHOLE

The Agency's combined Net Assets at June 30, 2006 were:

**Table 1**
**Net Assets**
**Governmental Activities**

| | 2006 | 2005 | Increase (Decrease) |
|---|---|---|---|
| Current and Other Assets | $ 49,793,104 | $ 47,183,676 | $ 2,609,428 |
| Loans Receivable | 18,670,999 | 15,697,668 | 2,973,331 |
| Capital Assets, net of depreciation | 37,378,216 | 18,845,025 | 18,533,191 |
| **Total Assets** | **105,842,319** | **81,726,369** | **24,115,950** |
| Current Liabilities | 4,451,942 | 3,410,323 | 1,041,619 |
| Advances from the City | - | 6,672,700 | (6,672,700) |
| Due to the City | 7,687 | - | 7,687 |
| Long-term Debt: | | | |
| Due within one year | 3,866,676 | 2,280,000 | 1,586,676 |
| Due in more than one year | 98,839,245 | 91,970,668 | 6,868,577 |
| **Total Liabilities** | **107,165,550** | **104,333,691** | **2,831,859** |
| **Net Assets (Deficit) :** | | | |
| Restricted for: | | | |
| Debt Service | 2,478,820 | 2,259,184 | 219,636 |
| Low and Moderate Income Housing | 11,674,830 | 11,990,240 | (315,410) |
| Unrestricted | (15,476,881) | (36,856,746) | 21,379,865 |
| **Total Net Assets (Deficit)** | **$ (1,323,231)** | **$ (22,607,322)** | **$ 21,284,091** |

- The Agency's net assets increased $21,284,091 from negative $22,607,322 to negative $1,323,231 as a result of this year's operations. This is due to an increase of $24,115,950 in assets partially offset by an increase to liabilities of $2,831,859.

- The $24,115,950 increase to assets consisted of increases to current and other assets, loans receivable and capital assets of $2,609,428, $2,973,331 and $18,533,191, respectively. The increase to current and other assets was due primarily to managing the Agency's interest rate risk. The increase to loans receivable was due substantially to loans receivable of $2,687,321 for the Ford Point Building Loan to

fund improvements to the Ford Assembly Building, CALHome Loans of $113,775 to provide the housing assistance to Richmond residents and a Richmond Housing Authority Loan of $174,067 to assist the Housing Authority with its lease payments for the 2003A-S Multifamily Housing Revenue Bonds. The increase to capital assets was due to an increase of $10,147,772 to construction in progress of $4,031,441 for Metrowalk (Transit village), $3,903,795 for the Ford Building, $2,124,630 for Terminal One, and $87,846 of capital improvements to a variety of other projects. The increase to capital assets was also due to Land and Land Improvements of $8,781,552 comprised of the following land purchases: $6,120,000 for the Miraflores site, $1,380,815 for a former KFC site, $651,295 for 400 Macdonald Avenue, $345,573 for 300 Macdonald Avenue, and $283,869 for 1421 Nevin Avenue. Capital Asset additions are offset by Sales of Land and Land Improvements of $209,477.

- The $2,831,859 increase to liabilities was due primarily to an $8,455,253 increase to long-term debt offset by a $6,672,700 decrease in advances from the City of Richmond. The reduction in advances from the City of Richmond was the result of using $6,672,700 of the Urban Development Action Grant for allowable activities under the Marina Bay Master Agreement. Some of these activities include infrastructure and parks such as Marina Way South and Lucretia Edwards Park, and railroad crossings at various sites within Marina Bay and Marina Bay Trails.

## Governmental Activities

Table 2 presents the revenues and expenses for the Agency as a whole.

**Table 2**
**Revenue and Expenses**
**Governmental Activities**

| | 2006 | 2005 | Increase/ (Decrease) |
|---|---|---|---|
| **Revenues:** | | | |
| *Program Revenues:* | | | |
| Capital Grants and Contributions | $ 2,336,589 | $ 1,155,281 | $ 1,181,308 |
| Charges for Services | 3,145,300 | - | 3,145,300 |
| Settlement Reimbursement | 4,226,289 | - | 4,226,289 |
| *General Revenues:* | | | |
| Property Taxes | 15,925,961 | 14,065,091 | 1,860,870 |
| Developer Revenue Sharing | 3,254,620 | - | 3,254,620 |
| Investment Earnings | 1,889,963 | 1,212,584 | 677,379 |
| Miscellaneous and Transfers | 7,121,318 | 2,772,979 | 4,348,339 |
| Gain on Sale of Land | - | 10,256,877 | (10,256,877) |
| Total General Revenues | 28,191,862 | 28,307,531 | (115,669) |
| Total Revenues | 37,900,040 | 29,462,812 | 8,437,228 |
| **Expenses:** | | | |
| Housing and Redevelopment | 11,209,180 | 8,129,710 | 3,079,470 |
| Interest on Long-Term Debt | 5,406,769 | 6,001,987 | (595,218) |
| Total Expenses | 16,615,949 | 14,131,697 | 2,484,252 |
| **Increase (Decrease) in Net Assets** | **$ 21,284,091** | **$ 15,331,115** | **$ 5,952,976** |

Program and general revenues increased by $8,437,228.

- Property taxes increased $1,860,870 from an increase in property values resulting from the Agency's blight eliminating and other property enhancing activities and from property taxes from the sale of condominium conversions and single family residences to homebuyers.
- Developer Revenue Sharing increased by $3,254,620 due to conversion of apartment complexes in the Marina Bay area to ownership condominiums activating the 1.5% Agency Participation Agreement with the developer on all initial and subsequent sales.
- Charges for Services increased by $3,145,000; these are In Lieu fees paid by developers.
- Settlement reimbursements are the result of Terminal One Litigation settlement proceeds of $4,226,289.
- Miscellaneous Revenue increased by $4,348,339 due to a transfer from the City's General Fund of $6,672,700 to the Agency's Harbour Debt Service Fund to pay for the Urban Development Action Grant .

Expenses increased by $2,484,252.

- Housing and Redevelopment expenditures increased $3,079,470 due to Internal Service Charges from the City, planning and consulting charges for Terminal One, and litigation related expenses for Terminal One and the Ford Assembly Building.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

During fiscal year 2006, the Agency's investment in capital assets net of accumulated depreciation increased to $37,378,216 (See Table No. 3 below); the prior year's investment was $18,845,025. The $18,533,191 increase consisted of increases to construction in progress, land and land improvements of $10,147,772 and $8,781,552, respectively offset by sales of land and land improvement costing $209,477 and depreciation for the year of $186,656.

**Table 3**
**Capital Assets at June 30, 2006**

| | Capital Assets As of June 30, 2006 | Capital Assets As of June 30, 2005 |
|---|---|---|
| Furniture, Machinery and Equipment | $ 275,560 | $ 275,560 |
| Buildings and Building Improvements | 5,275,981 | 5,275,981 |
| Land | 12,717,435 | 4,145,360 |
| Construction in Progress | 22,270,201 | 12,122,429 |
| Less: Accumulated Depreciation | (3,160,961) | (2,974,305) |
| **Total** | **$ 37,378,216** | **$ 18,845,025** |

**Debt**

Table 4
Outstanding Debt, at June 30, 2006

Government Activities

| | 2006 | 2005 |
|---|---|---|
| Tax Allocation Revenue Bonds: | | |
| 1991 Issue | $ 210,000 | $ 260,000 |
| 1998 Issue | 24,316,090 | 24,298,513 |
| Loans Payable | | |
| 2000 Richmond Joint Powers Fin. Auth. | 24,830,000 | 28,440,000 |
| 2003 Richmond Joint Powers Fin. Auth. | 27,151,000 | 23,880,000 |
| 2004 Richmond Joint Powers Fin. Auth. | 14,965,000 | 15,300,000 |
| Notes Payable | | |
| Wells Fargo Bank Loan | 500,000 | 500,000 |
| CA Housing Finance Agency Loan | 2,617,155 | 1,572,155 |
| HUD section 108 Loans | 6,500,000 | |
| CERF Loans | 1,616,676 | |
| **Total** | **$ 102,705,921** | **$ 94,250,668** |

For a complete discussion of outstanding debt, refer to the notes to the financial statement. Loans Payable excludes reserves and capitalized interest held by the Richmond Joint Powers Financing Authority.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the Agency's revenue forecast for fiscal year 2006-2007 were:

1. Property tax increment revenues will increase by 2% due to an estimated rise in assessed valuation, and

2. Property tax increment revenues will increase by 2% due to new projects.

## CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at the City of Richmond, 1401 Marina Way South, Richmond, CA, 94804. Inquiries may also be sent via e-mail to FINANCE@ci.richmond.ca.us

[THIS PAGE INTENTIONALLY LEFT BLANK]

## STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's infrastructure and other fixed assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets. The Statement of Net Assets summarizes the financial position of the Agency's financial position in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets and current liabilities.

The format of the Statement of Activities presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed in the Governmental Activities column and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

# RICHMOND REDEVELOPMENT AGENCY
# STATEMENT OF NET ASSETS
# JUNE 30, 2006

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and investments (Note 2) | $19,046,314 |
| Restricted cash and investments (Note 2) | 28,973,086 |
| Receivables: | |
| Accounts, net | 337,565 |
| Interest | 63,748 |
| Grants | |
| Loans (Note 3) | 18,670,999 |
| Prepaid and other assets | 1,200,000 |
| Due from the City (Note 4) | 34,348 |
| Advances to the City (Note 4) | 138,043 |
| Capital assets (Note 6): | |
| Nondepreciable | 34,987,636 |
| Depreciable, net | 2,390,580 |
| Total Assets | 105,842,319 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 4,072,415 |
| Refundable deposits | 379,527 |
| Due to the City (Note 4) | 7,687 |
| Long-term debt (Note 7): | |
| Due within one year | 3,866,676 |
| Due in more than one year | 98,839,245 |
| Total Liabilities | 107,165,550 |
| NET ASSETS (DEFICIT) (Note 8) | |
| Restricted for: | |
| Debt service | 2,478,820 |
| Low and moderate income housing | 11,674,830 |
| Total Restricted Net Assets | 14,153,650 |
| Unrestricted (Deficit) | (15,476,881) |
| Total Net Assets (Deficit) | ($1,323,231) |

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | |
|---|---|
| Program expense: | |
| Housing and redevelopment | $11,209,180 |
| Interest on long term debt | 5,406,769 |
| Total program expense | 16,615,949 |
| Program revenues: | |
| Charges for services | 3,145,300 |
| Capital grants | 2,336,589 |
| Settlement reimbursement | 4,226,289 |
| Total program revenues | 9,708,178 |
| Net program expense | 6,907,771 |
| General revenues and transfers: | |
| Tax increments | 15,925,961 |
| Developer revenue sharing | 3,254,620 |
| Investment earnings | 1,889,963 |
| Miscellaneous | 519,350 |
| Transfers from the City, net (Note 4) | 6,601,968 |
| Total general revenues | 28,191,862 |
| Change in Net Assets | 21,284,091 |
| Net Assets (Deficit)-Beginning | (22,607,322) |
| Net Assets (Deficit)-Ending | ($1,323,231) |

See accompanying notes to financial statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

## FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

RICHMOND REDEVELOPMENT AGENCY
BALANCE SHEET
JUNE 30, 2006

| | General Fund | Downtown Debt Service | Harbour Debt Service | Eastshore Park Debt Service | Potrero Debt Service | Galvin Debt Service |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and investments (Note 2) | $2,345,344 | $300,996 | $4,244,448 | $262,240 | $500,071 | $519,083 |
| Restricted cash and investments (Note 2) | 64,995 | | 2,251,601 | | | |
| Receivables: | | | | | | |
| Accounts, net | 311,791 | | | | | |
| Interest | 9,984 | 4,052 | 29,504 | 1,997 | 3,590 | 3,033 |
| Loans (Note 3) | 2,928,729 | | | | | |
| Due from the City (Note 4) | 34,348 | | | | | |
| Prepaid and other assets | | | | | | |
| Advances to other funds (Note 4) | | | | | | |
| Advances to the City (Note 4) | | | | | | |
| Total Assets | $5,695,191 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | $134,420 | | | | | |
| Refundable deposits | 75,671 | | | | | |
| Due to the City (Note 4) | 7,687 | | | | | |
| Advances from other funds (Note 4) | 115,000 | | | | | |
| Deferred revenue (Note 5) | 2,928,729 | | | | | |
| Total Liabilities | 3,261,507 | | | | | |
| FUND BALANCES | | | | | | |
| Fund balance | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 84,350 | | | | | |
| Low and moderate income housing | | | | | | |
| Debt service | | | $2,251,601 | | | |
| Advances to other funds | | | | | | |
| Loans receivable | | | | | | |
| Prepaids and other assets | | | | | | |
| Unreserved, Undesignated reported in: | | | | | | |
| General Fund | 2,349,334 | | | | | |
| Capital Projects Funds | | | | | | |
| Debt Service Funds | | $305,048 | 4,273,952 | $264,237 | $503,661 | $522,116 |
| Total Fund Balances | 2,433,684 | 305,048 | 6,525,553 | 264,237 | 503,661 | 522,116 |
| Total Liabilities and Fund Balances | $5,695,191 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

LONG TERM ASSETS AND LIABILITIES
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:
Interest payable
Long-term debt

NET ASSETS (DEFICITS) OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

| Low and Moderate 2000 TARB Debt Service | 2000 TARB Capital Project | Low and Moderate Income Housing Capital Project | Downtown Capital Project | Harbour Capital Project | 2004 TARB Capital Project | Redevelopment CIP Capital Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| $215,196 | $116,396 | $3,774,299 | $374,152 | $4,829,047 | $11,040 | $320,931 | $1,233,071 | $19,046,314 |
| | 13,103,103 | 702,188 | 362,102 | 5,418,652 | 5,746,560 | 1,323,885 | | 28,973,086 |
| | | | 25,774 | | | | | 337,565 |
| $1,780 | (254) | 13,019 | 1,258 | (6,234) | (6,251) | (1,962) | 10,232 | 63,748 |
| | | 7,873,832 | 473,648 | 8,127,680 | | 2,377,143 | | 21,781,032 |
| | | | | | | | | 34,348 |
| | | | 1,200,000 | | | | | 1,200,000 |
| | | | 55,000 | 60,000 | | | | 115,000 |
| | | | | | | 34,358 | 103,685 | 138,043 |
| $216,976 | $13,219,245 | $12,363,338 | $2,491,934 | $18,429,145 | $5,751,349 | $4,054,355 | $1,346,988 | $71,689,136 |
| | | $469,064 | $151,397 | $456,995 | | $918,717 | | $2,130,593 |
| | | | 58,462 | 224,085 | | 21,309 | | 379,527 |
| | | | | | | | | 7,687 |
| | | | | | | | | 115,000 |
| | | 7,654,388 | 460,881 | 8,127,680 | | 2,377,143 | | 21,548,821 |
| | | 8,123,452 | 670,740 | 8,808,760 | | 3,317,169 | | 24,181,628 |
| | | | | | | | | 84,350 |
| | | 4,020,442 | | | | | | 4,020,442 |
| $216,976 | | | | | | | $10,243 | 2,478,820 |
| | | | 55,000 | 60,000 | | 34,358 | 103,685 | 253,043 |
| | | 219,444 | 12,767 | | | | | 232,211 |
| | | | 1,200,000 | | | | | 1,200,000 |
| | | | | | | | | 2,349,334 |
| | $13,219,245 | | 553,427 | 9,560,385 | $5,751,349 | 702,828 | 1,233,060 | 31,020,294 |
| | | | | | | | | 5,869,014 |
| 216,976 | 13,219,245 | 4,239,886 | 1,821,194 | 9,620,385 | 5,751,349 | 737,186 | 1,346,988 | 47,507,508 |
| $216,976 | $13,219,245 | $12,363,338 | $2,491,934 | $18,429,145 | $5,751,349 | $4,054,355 | $1,346,988 | |
| | | | | | | | | 37,378,216 |
| | | | | | | | | 18,438,788 |
| | | | | | | | | (1,941,822) |
| | | | | | | | | (102,705,921) |
| | | | | | | | | ($1,323,231) |

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

| | General Fund | Downtown Debt Service | Harbour Debt Service | Eastshore Park Debt Service | Potrero Debt Service | Galvin Debt Service |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Property Tax | | $1,165,397 | $7,305,219 | $439,673 | $861,203 | $625,296 |
| Use of money and property | $796,779 | 18,245 | 238,635 | 8,660 | 14,927 | 12,958 |
| Intergovernmental | | | | | | |
| Licenses, permits and fees | 3,145,300 | | | | | |
| Developer revenue sharing | | | | | | |
| Settlement reimbursement | | | | | | |
| Other | 133,858 | | | | | |
| Total Revenues | 4,075,937 | 1,183,642 | 7,543,854 | 448,333 | 876,130 | 638,254 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Housing and redevelopment | 4,968,923 | 100,320 | 664,117 | 43,615 | 83,096 | 61,853 |
| Capital outlay | | | | | | |
| Debt Service: | | | | | | |
| Principal | | | 535,000 | | | |
| Interest and fiscal charges | 1,516,464 | | 705,678 | | | |
| Total Expenditures | 6,485,387 | 100,320 | 1,904,795 | 43,615 | 83,096 | 61,853 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,409,450) | 1,083,322 | 5,639,059 | 404,718 | 793,034 | 576,401 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of debt | | | | | | |
| Proceeds from sale of property | | | | | | |
| Transfers in from the City (Note 4) | 1,000,268 | | 6,672,700 | | | |
| Transfers in (Note 4) | 3,824,563 | 75,300 | 262,645 | | | |
| Transfers (out) (Note 4) | (1,601,000) | (1,627,679) | (4,542,797) | (479,397) | (868,563) | (495,552) |
| Total Other Financing Sources (Uses) | 3,223,831 | (1,552,379) | 2,392,548 | (479,397) | (868,563) | (495,552) |
| NET CHANGE IN FUND BALANCES | 814,381 | (469,057) | 8,031,607 | (74,679) | (75,529) | 80,849 |
| BEGINNING FUND BALANCES (DEFICITS) | 1,619,303 | 774,105 | (1,506,054) | 338,916 | 579,190 | 441,267 |
| ENDING FUND BALANCES | $2,433,684 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |

See accompanying notes to financial statements

| Low and Moderate 2000 TARB Debt Service | JPFA 2000 TARB Capital Project | Low and Moderate Income Housing Capital Project | Downtown Capital Project | Harbour Capital Project | 2004 TARB Capital Projects | Redevelopment CIP Capital Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| | | $3,317,381 | | | | | $2,211,792 | $15,925,961 |
| $147,378 | $348,781 | 115,206 | $12,793 | $136,263 | $288,236 | ($35,838) | 95,164 | 2,198,187 |
| | | 48,041 | | 1,500,000 | | 788,548 | | 2,336,589 |
| | | | | | | | | 3,145,300 |
| | | | | 3,254,620 | | | | 3,254,620 |
| | | | | 4,226,289 | | | | 4,226,289 |
| | | 56,265 | 329,227 | | | | | 519,350 |
| 147,378 | 348,781 | 3,536,893 | 342,020 | 9,117,172 | 288,236 | 752,710 | 2,306,956 | 31,606,296 |
| 8,370 | 23,521 | 9,673,624 | 293,504 | 590,033 | 20,266 | 429,148 | 224,368 | 17,184,758 |
| | | 2,000,012 | 2,090,570 | 6,395,659 | | 5,496,880 | | 15,983,121 |
| 1,410,000 | | | | | | | 335,000 | 2,280,000 |
| 1,496,726 | | | | | | 54 | 856,229 | 4,575,151 |
| 2,915,096 | 23,521 | 11,673,636 | 2,384,074 | 6,985,692 | 20,266 | 5,926,082 | 1,415,597 | 40,023,030 |
| (2,767,718) | 325,260 | (8,136,743) | (2,042,054) | 2,131,480 | 267,970 | (5,173,372) | 891,359 | (8,416,734) |
| | | 4,500,000 | | 4,616,676 | | | | 9,116,676 |
| | | 200,571 | | | | | | 200,571 |
| | | | | | | | | 7,672,968 |
| 2,977,638 | | 5,465,284 | 3,000,000 | 421,709 | | 4,086,679 | 1,252,065 | 21,365,883 |
| | (4,007,672) | (2,460,724) | | (182,645) | (2,515,000) | | (2,584,854) | (21,365,883) |
| 2,977,638 | (4,007,672) | 7,705,131 | 3,000,000 | 4,855,740 | (2,515,000) | 4,086,679 | (1,332,789) | 16,990,215 |
| 209,920 | (3,682,412) | (431,612) | 957,946 | 6,987,220 | (2,247,030) | (1,086,693) | (441,430) | 8,573,481 |
| 7,056 | 16,901,657 | 4,671,498 | 863,248 | 2,633,165 | 7,998,379 | 1,823,879 | 1,788,418 | 38,934,027 |
| $216,976 | $13,219,245 | $4,239,886 | $1,821,194 | $9,620,385 | $5,751,349 | $737,186 | $1,346,988 | $47,507,508 |

RICHMOND REDEVELOPMENT AGENCY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | $8,573,481 |
| Amounts reported for governmental activities in the Statement of Activities are *different because of the following:* | |
| CAPITAL ASSETS | |
| Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. | |
| The capital outlay expenditures are therefore added back to fund balance | 18,929,324 |
| Depreciation expense is deducted from the fund balance | (186,656) |
| Retirements of capital assets are deducted from the fund balance | (209,477) |
| LONG TERM DEBT PROCEEDS AND PAYMENTS | |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities. | |
| Bond proceeds are deducted from fund balance | (9,116,676) |
| Repayment of debt principal is added back to fund balance | 2,280,000 |
| Transfer to the City is deducted from fund balance | (1,071,000) |
| Interest accrued to principal is deducted from fund balance | (45,000) |
| Capital appreciation bonds accretion is deducted from fund balance | (502,577) |
| ACCRUAL OF NON-CURRENT ITEMS | |
| The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change): | |
| Deferred revenue | 2,916,713 |
| Interest payable | (284,041) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | $21,284,091 |

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

| | Agency Funds |
|---|---|
| ASSETS | |
| Cash and investments (Note 2) | $340,539 |
| Restricted cash and investments (Note 2) | 342,664 |
| Interest receivable | (1,015) |
| Total Assets | $682,188 |
| LIABILITIES | |
| Due to assessment district bondholders | $682,188 |
| Total Liabilities | $682,188 |

See accompanying notes to financial statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. General*

The Richmond Redevelopment Agency (Agency) was formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law, primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, State, Federal governments, incremental property taxes, interest income, issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds.

Although the Redevelopment Agency is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency and members of the City Council serve as the governing board of the Redevelopment Agency.

Project Area Plans (Plans) have been developed to provide an improved physical, social, and economic environment in various Project Areas. The Agency has the following project areas:

| Project Area | Dates |
|---|---|
| Eastshore Park Project Area No. 1-A | Most recent Amendment - July 27, 2004 |
| Pilot Project Area No. 1-B | Most recent Amendment - July 27, 2004 |
| Potrero Project Area No. 1-C | Most recent Amendment - July 27, 2004 |
| Galvin Project Area No. 3-A | Most recent Amendment - July 27, 2004 |
| Terrace Project Area No. 4-A | Most recent Amendment - December 19, 1994 |
| Harbor Gate Project Area No. 6-A | Most recent Amendment - July 27, 2004 |
| Hensley Project Area No. 8-A | Most recent Amendment - July 27, 2004 |
| Downtown Project Area No. 10-A | Most recent Amendment - July 27, 2004 |
| Nevin Project Area No. 10-B | Most recent Amendment - July 27, 2004 |
| Harbour Project Area No. 11-A | Most recent Amendment - July 27, 2004 |
| North Richmond Project Area No. 12-A | Most recent Amendment - July 27, 2004 |

### *B. Basis of Accounting and Measurement Focus*

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

*Agency-Wide Financial Statements* – Agency-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency. The Agency has no Business Type Activities.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents all the Agency's revenues, expenses and other changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

*Governmental Fund Financial Statements* - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the City-Wide financial statements.

All governmental funds are accounted for on the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

### *C. Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

### *D. Cash and Investments*

The Agency participates in the City's cash and investment pool which is managed by the City Treasurer. All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

All investments are stated at fair value. Market value is used as fair value for all securities.

The City participates in the State of California's Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *E. Compensated Absences*

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts expected to be paid out of current financial resources as liabilities at the end of the fiscal year, while their long-term liabilities are recorded in the Statement of Net Assets.

### *F. Property Tax Levy, Collection and Maximum Rates*

Under California law, the Agency may not assess or receive property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in each Agency Project Area became subject to redevelopment (called the Base Year). These increases are called property tax increments; one fifth of these increments must be used to increase the supply of low and moderate income housing.

Property taxes and increments are assessed and collected by the County of Contra Costa (County). Under the Teeter plan, the County remits the full assessment regardless of the amounts received. The County assesses, bills, and collects property taxes as follows:

| | |
|---|---|
| Lien Date | January 1 |
| Levy Date | July 1 |
| Due Date | November 1 and February 1 |
| Collection Date | December 10 and April 10 |

### *G. Long-Term Obligations*

*Agency-Wide Financial Statements* - Long-term debt is reported as liabilities of the appropriate governmental activity.

Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

*Fund Financial Statements* - Governmental fund financial statements do not present long-term debt. Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

### *H. Deferred Revenues*

The Agency reports deferred revenues as offsets to receivables from project developers or notes receivable from homeowners because such amounts are measurable but are not yet available.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *I. Net Assets and Fund Equity*

In the Agency-Wide Financial Statements, net assets are classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

*Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets" as defined above.

In the Fund Financial Statements, reservations and designations of fund balances of the governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity to not available for future expenditures.

## 2. CASH AND INVESTMENTS

The Agency's dependence on property tax increments, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City and Agency pool cash from all sources and all funds except Cash with Fiscal Agents so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

Investments are carried at market value and investment income is generally allocated among funds on the basis of average cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

### *A. Classification*

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or Agency agreements

| | |
|---|---|
| Cash and investments | $19,046,314 |
| Restricted cash and investments | 28,973,086 |
| **Total Agency's cash and investments** | 48,019,400 |
| Cash and investments in Fiduciary Funds (Separate Statement) | |
| Cash and investments | 340,539 |
| Restricted cash and investments | 342,664 |
| **Total cash and investments** | $48,702,603 |

## 2. CASH AND INVESTMENTS (Continued)

### *B. Authorized Investments*

Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | | Maximum Investment In One Issuer |
|---|---|---|---|---|---|
| U.S. Treasury Bills, Bonds and Notes | 5 years | | None | | None |
| Obligations issued by United States Government or its Agencies | 5 years | | None | | None |
| Treasury bonds and notes issued by the State of California or any local agency with California | 5 years | A | None | | |
| Bankers Acceptances | 180 days | | 40% | | 30% |
| Commercial Paper | 270 days | A1/P1/F1 | 15% | A | 10% |
| Negotiable Certificates of Deposit | 5 years | A | 30% | | None |
| Medium Term Corporate Notes | 5 years | A | 30% | | None |
| Money Market Mutual Funds | N/A | Top rating category | 15% | | None |
| California Local Agency Investment Fund | N/A | | None | | 40 Mil |
| Collateralized Time Deposits | 5 years | | 30% | | 10% |
| Repurchase Agreements | 5 years | | None | B | None |

A: Agency may invest additional 15% or a total of 30% of Agency surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

B: Agency may not utilize Reverse Repurchase Agreement Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

### *C. Investments Authorized by Debt Issues and Lease Agreements*

Under the terms of the Agency's debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the Agency's funds. At June 30, 2006, the Agency was in compliance with the terms of all these restrictions.

### *D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

## 2. CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity or earliest call date:

| | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|
| | 12 months or Less | 25 to 60 Months | More than 60 months | Total |
| City of Richmond investment pool (overdraft) | ($4,846,240) | | | ($4,846,240) |
| California Local Agency Investment Fund | 5,515,904 | | | 5,515,904 |
| Wells Fargo Money Market Mutual Funds | 1,580,164 | | | 1,580,164 |
| **Held by bond trustee:** | | | | |
| Money market mutual funds (U.S. Securities) | 22,293,372 | | | 22,293,372 |
| Investment agreement | | | $1,039,778 | 1,039,778 |
| Investment repurchase agreement | | $1,146,500 | | 1,146,500 |
| **Total Investments** | $24,543,200 | $1,146,500 | $1,039,778 | 26,729,478 |
| Agency's cash in bank | | | | 21,973,125 |
| **Total Cash and Investments** | | | | $48,702,603 |

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2006, matured in an average of 29 days

### *E. Fair value of Investments*

GASB Statement 31 requires governments to present investments at fair value. The total changes in the fair value of investments in the current fiscal year is not of material significance. The Agency does not adjust the carrying value of its investment to reflect the fair value at each fiscal year-end.

## 2. CASH AND INVESTMENTS (Continued)

### *F. Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2006 for each investment type:

| Investment Type | AAA | Total |
|---|---|---|
| Money market mutual funds (U.S. Securities) | $23,873,536 | $23,873,536 |
| *Not rated:* | | |
| California Local Agency Investment Fund | | 5,515,904 |
| Investment agreement | | 1,039,778 |
| Investment repurchase agreement | | 1,146,500 |
| City of Richmond investment pool (overdraft) | | (4,846,240) |
| **Total Investments** | | 26,729,478 |
| Cash in Bank | | 21,973,125 |
| **Total cash and investments** | | $48,702,603 |

### *G. Concentration of Credit Risk*

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual Funds and external investment pool in major funds at June 30, 2006:

| Major Funds | Issuer | Type of Investment | Amount |
|---|---|---|---|
| Harbour Debt Service Fund | Bayerische Landesbank Girozentrale | Investment Repurchase Agreement | $1,146,500 |
| Harbour Debt Service Fund | Morgan Guarantee Trust | Investment Agreement | 1,039,778 |

## 3. LOANS RECEIVABLE

At June 30, 2006, notes and loans receivable consisted of the following:

| | Amount |
|---|---|
| EDA Loans | $473,648 |
| Olson Urban Housing, LLC | 4,951,143 |
| Harbour Capital Projects Loan | 5,440,359 |
| Atchison Village Annex Apartments | 487,501 |
| Heritage Park Development | 444,565 |
| Silent Second Mortgage Loans | 2,267,161 |
| Chesley Avenue Mutual Housing Development | 4,741,492 |
| Ford Point Building Loan | 2,687,321 |
| CALHome Program | 113,775 |
| Richmond Housing Authority | 174,067 |
| **Total Notes and Loans Receivable** | 21,781,032 |
| **Less Reserve For Conditional Grants** | (3,110,033) |
| **Net Notes and Loans Receivable** | $18,670,999 |

## 3. LOANS RECEIVABLE (Continued)

### EDA loans

The City's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives.

### Olson Urban Housing, LLC.

This loan was made to provide assistance in the construction of low and moderate income housing. It provides for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements.

### Harbour Capital Projects Loan

The $5,440,359 is based on two promissory notes resulting from the sale of the Ford building of $3,400,000 and the sale of the North Shore properties $2,040,359.

### Atchison Village Annex Apartments

In 1998, the Redevelopment Agency loaned Atchison Village Associates, LP $464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments are principal and interest payable in equal monthly payments of $2,651.

In 2006, the Redevelopment Agency loaned Atchison Village Associates, LP $44,000 collateralized by a deed of trust to finance the rehabilitation of low and moderate income housing. The loan bears no interest and the entire principal interest is due in 25 years.

### Heritage Park Development

In 1999, the Redevelopment Agency loaned Hilltop Group, LP a total of $500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of $3,115 are payable through September 1, 2019.

### Silent Second Mortgage Loans

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

### Chesley Avenue Mutual Housing Development

On December 1, 2003, the Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of $4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006 at the rate of 2% per annum. or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

## 3. LOANS RECEIVABLE (Continued)

### Ford Assembly Building Loan

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan $3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 7. The loan's principal is due in August 2025, and interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. At June 30, 2006, the developer had drawn down a total loan amount of $2,687,321.

### CALHome Program

The CalHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. At June 30, 2006, the Agency had issued loans of $113,775.

### Housing Authority

In fiscal 2006, the Agency loaned $174,067 to the Richmond Housing Authority, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The term of the loan is one year and the loan bears interest of 3%.

### Conditional Grants

The loan to Olson Urban Housing, LLC provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for this loan as a conditional grant in the Agency-wide financial statements, and provides a reserve against the eventual forgiveness.

## 4. INTERFUND RECEIVABLES AND PAYABLES

### Advances Between Agency Funds

At June 30, 2006, the Agency had outstanding the following advances to and from other Agency funds:

| Fund Making Advance | Fund Receiving Advance | Amount of Advance |
|---|---|---|
| Downtown Capital Projects Fund | General Fund | $55,000 |
| Harbour Capital Projects Fund | General Fund | 60,000 |
| | Total Advances | $115,000 |

## 4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

### Transfers Between Agency Funds

At June 30, 2006, the Agency had the following transfers in and out:

| Fund Making Transfers | Funds Receiving Transfers | Amount Transferred |
|---|---|---|
| General Fund | Low/Mod Income Housing Capital Projects | $1,601,000 |
| Downtown Debt Service | General Fund | 35,280 |
| | Low/Mod 2000 TARB Debt Service | 297,173 |
| | Downtown Capital Projects | 1,250,000 |
| | Non-Major Governmental Funds | 45,226 |
| Harbour Debt Service | General Fund | 2,345,602 |
| | Redevelopment CIP Capital Projects | 1,500,000 |
| | Harbour Capital Projects | 350,000 |
| | Non-Major Governmental Funds | 347,195 |
| Eastshore Park Debt Service | General Fund | 21,988 |
| | Low/Mod 2000 TARB Debt Service | 202,049 |
| | Downtown Capital Projects | 200,000 |
| | Non-Major Governmental Funds | 55,360 |
| Potrero Debt Service | General Fund | 42,496 |
| | Low/Mod 2000 TARB Debt Service | 462,816 |
| | Downtown Capital Projects | 300,000 |
| | Non-Major Governmental Funds | 63,251 |
| Galvin Debt Service | General Fund | 36,175 |
| | Low/Mod 2000 TARB Debt Service | 373,954 |
| | Non-Major Governmental Funds | 85,423 |
| JPFA 2000 TARB Capital Projects | Redevelopment CIP Capital Projects | 2,586,679 |
| | Harbour Capital Projects | 71,709 |
| | Low/Mod Income Housing Capital Projects | 1,349,284 |
| Low/Mod Income Housing Capital Projects | General Fund | 1,233,616 |
| | Low/Mod 2000 TARB Debt Service | 750,000 |
| | Non-Major Governmental Funds | 477,108 |
| Harbour Capital Projects | Harbour Debt Service | 182,645 |
| 2004 TARB Capital Projects | Low/Mod Income Housing Capital Projects | 2,515,000 |
| Non-Major Governmental Funds | General Fund | 109,406 |
| | Low/Mod 2000 TARB Debt Service | 891,646 |
| | Harbour Debt Service | 80,000 |
| | Downtown Capital Projects | 1,250,000 |
| | Downtown Debt Service | 75,300 |
| | Non-Major Governmental Funds | 178,502 |
| | **Total** | $21,365,883 |

## 4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

### Advances Between the City and Agency

At June 30, 2006, the Redevelopment CIP Capital Project Fund had advanced $34,358 to the City's JPFA Debt Service Fund, and the Hensley Capital Project Fund had advanced $103,685 to the City's General Fund.

### Transfers with the City

During the year ended June 30, 2006 the City's General Fund transferred $6,672,700 to the Redevelopment Agency's Harbour Debt Service Fund to pay the Urban Development Action Grant loan, and the City's Joint Powers Financing Authority transferred $1,000,268 to the Agency's General Fund to fund debt service payments on the 2003 Tax Allocation Revenue Bonds. In addition, the Agency transferred $1,071,000 to the City representing an adjustment to the long-term debt balances for the 2003 and 2004 JPFA Tax Allocation Revenue Bonds

### Due From and To the City

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2006 interfund transactions between Redevelopment Agency's General Fund and the City's Community Development Block Grant Special Revenue Fund were $34,348 due to the Agency from the City and $7,687 due from the Agency to the City.

## 5. DEFERRED REVENUE

Deferred revenue in the General Fund and Capital Projects Funds at June 30, 2006 were related to the notes and loans receivable in Note 3 and consisted of the following:

| | |
|---|---|
| EDA Loans | $ 460,881 |
| Olson Urban Housing, LLC | 4,951,143 |
| Harbour Capital Projects Loan | 5,440,359 |
| Atchison Village Annex Apartments | 487,501 |
| Heritage Park Development | 225,121 |
| Silent Second Mortgage Loans | 2,267,161 |
| Chesley Street Development | 4,741,492 |
| Ford Point Building | 2,687,321 |
| CALHome Program | 113,775 |
| Housing Authority | 174,067 |
| **Total** | $21,548,821 |

## 6. CAPITAL ASSETS

The following is a summary of the Agency's capital assets:

| | Balance at June 30, 2005 | Additions | Retirements | Balance at June 30, 2006 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and Land improvements | $4,145,360 | $8,781,552 | ($209,477) | $12,717,435 |
| Construction in progress (CIP) | 12,122,429 | 10,147,772 | | 22,270,201 |
| Total capital assets not being depreciated | 16,267,789 | 18,929,324 | (209,477) | 34,987,636 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,275,981 | | | 5,275,981 |
| Machinery and equipment | 275,560 | | | 275,560 |
| Total capital assets being depreciated | 5,551,541 | | | 5,551,541 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,787,742) | (149,341) | | (2,937,083) |
| Machinery and equipment | (186,563) | (37,315) | | (223,878) |
| Total accumulated depreciation | (2,974,305) | (186,656) | | (3,160,961) |
| Capital asset being depreciated, net | 2,577,236 | (186,656) | | 2,390,580 |
| Governmental activity capital assets, net | $18,845,025 | $18,742,668 | ($209,477) | $37,378,216 |

Depreciation expense for capital assets for the year ended June 30, 2006 charged to the Housing and Redevelopment Activity was $186,656.

## 7. LONG-TERM OBLIGATIONS

Summary of changes in long-term debt for the year ended June 30, 2006:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $24,558,513 | $502,577 | ($535,000) | $24,526,090 | $555,000 | $23,971,090 |
| Loans payable | 67,620,000 | 1,071,000 | (1,745,000) | 66,946,000 | 1,695,000 | 65,251,000 |
| Notes payable | 2,072,155 | 9,161,676 | | 11,233,831 | 1,616,676 | 9,617,155 |
| **Total** | $94,250,668 | $10,735,253 | ($2,280,000) | $102,705,921 | $3,866,676 | $98,839,245 |

## 7. LONG-TERM OBLIGATIONS (Continued)

### Bonds Payable

Bonds payable by the Agency at June 30, 2006 consisted of the following:

| | Net |
|---|---|
| Harbor Tax Allocation Refunding Bonds - 1991 | $210,000 |
| Harbor Tax Allocation Refunding Bonds - 1998 Series A | 24,316,090 |
| **Total** | $24,526,090 |

**1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds – Original Issue $11,465,000**

The Bonds were issued by the Redevelopment Agency to refund 1985 Tax Allocation and Refunding Bonds used for the Urban Renewal Plan for Project 11-A, the Harbour Redevelopment Plan. The Bonds consist of serial bonds in the amount of $6,365,000 that mature annually through 2004, in amounts ranging from $50,000 to $740,000. Interest rates vary from 3.75% to a maximum of 6% and payments are due semiannually on January 1 and July 1. The Term Bonds bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004 and are secured by a pledge of incremental tax revenues.

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $55,000 | $12,775 | $67,775 |
| 2008 | 60,000 | 8,750 | 68,750 |
| 2009 | 60,000 | 4,550 | 64,550 |
| 2010 | 35,000 | 1,225 | 36,225 |
| **Total** | $210,000 | $27,300 | $237,300 |

## 7. LONG-TERM OBLIGATIONS (Continued)

### 1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue $21,862,779

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from $50,000 to $1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues. At June 30, 2006, the Bonds consisted of the following:

| | Value | Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $13,880,000 | | | $ 13,880,000 |
| Capital appreciation bonds | 16,935,000 | $502,577 | ($7,001,487) | 10,436,090 |
| **Total** | $30,815,000 | $502,577 | ($7,001,487) | $ 24,316,090 |

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $500,000 | $669,153 | $1,169,153 |
| 2008 | 525,000 | 647,753 | 1,172,753 |
| 2009 | 550,000 | 624,903 | 1,174,903 |
| 2010 | 1,575,000 | 600,571 | 2,175,571 |
| 2011 | 1,595,000 | 574,826 | 2,169,826 |
| 2012-2016 | 9,170,000 | 2,402,925 | 11,572,925 |
| 2017-2021 | 10,210,000 | 1,350,406 | 11,560,406 |
| 2022-2024 | 6,690,000 | 235,601 | 6,925,601 |
| **Total** | $30,815,000 | $7,106,138 | $37,921,138 |

### Loans Payable

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency's operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

## 7. LONG-TERM OBLIGATIONS (Continued)

The outstanding balances of loans payable to the Authority at June 30, 2006 came from the Bond issues listed below:

| | |
|---|---|
| JPFA Tax Allocation Revenue Bonds - 2000 Series A & B | $24,830,000 |
| JPFA Tax Allocation Revenue Bonds - 2003 Series A & B | 27,151,000 |
| JPFA Tax Allocation Revenue Bonds - 2004 Series A & B | 14,965,000 |
| **Total** | $66,946,000 |

**Loan from the Richmond Joint Powers Financing Authority (Authority) dated November 1, 2000.**

In 2000, the Authority issued the 2000 Housing Set-Aside Tax Allocation Bonds Series A and Series B in the original amount of $31,515,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements of the Agency. Under the terms of the loan agreement between the Agency and the Authority dated November 1, 2000, repayment of the loan is being made from certain tax increment revenues derived from certain redevelopment areas.

The annual debt service on this loan as of June 30, 2006 is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $1,480,000 | $1,428,146 | $2,908,146 |
| 2008 | 1,545,000 | 1,355,733 | 2,900,733 |
| 2009 | 1,625,000 | 1,272,164 | 2,897,164 |
| 2010 | 1,710,000 | 1,185,101 | 2,895,101 |
| 2011 | 1,800,000 | 1,098,650 | 2,898,650 |
| 2012-2016 | 10,475,000 | 3,951,543 | 14,426,543 |
| 2017-2021 | 5,785,000 | 874,715 | 6,659,715 |
| 2022-2026 | 245,000 | 73,381 | 318,381 |
| 2027-2030 | 165,000 | 20,170 | 185,170 |
| **Total** | $24,830,000 | $11,259,603 | $36,089,603 |

**Loan from the Authority dated August 1, 2003.**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of $28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond $18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

## 7. LONG-TERM OBLIGATIONS (Continued)

The annual debt service on this loan as of June 30, 2006 is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | | $1,515,771 | $1,515,771 |
| 2008 | | 1,515,771 | 1,515,771 |
| 2009 | $780,000 | 1,502,012 | 2,282,012 |
| 2010 | 810,000 | 1,472,834 | 2,282,834 |
| 2011 | 840,000 | 1,440,250 | 2,280,250 |
| 2012-2016 | 4,790,000 | 6,576,651 | 11,366,651 |
| 2017-2021 | 7,050,000 | 5,137,873 | 12,187,873 |
| 2022-2026 | 12,881,000 | 2,378,591 | 15,259,591 |
| Total | $27,151,000 | $21,539,753 | $48,690,753 |

**Loan from the Authority dated October 1, 2004.**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of $15,000,000 and $2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond $6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2006 are as follows:

| For the Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $215,000 | $837,261 | $1,052,261 |
| 2008 | 215,000 | 831,229 | 1,046,229 |
| 2009 | 225,000 | 824,434 | 1,049,434 |
| 2010 | 230,000 | 816,766 | 1,046,766 |
| 2011 | 235,000 | 808,290 | 1,043,290 |
| 2012-2016 | 1,355,000 | 3,880,153 | 5,235,153 |
| 2017-2021 | 4,745,000 | 3,313,002 | 8,058,002 |
| 2022-2026 | 4,090,000 | 2,011,442 | 6,101,442 |
| 2027 | 3,655,000 | 145,105 | 3,800,105 |
| Total | $14,965,000 | $13,467,682 | $28,432,682 |

**Notes Payable**

Notes payable at June 30, 2006 consisted of the following:

| | |
|---|---|
| Wells Fargo Loan | $500,000 |
| CHFA Help Loans | 2,617,155 |
| HUD Section 108 Loans | 6,500,000 |
| CERF Loan | 1,616,676 |
| **Total** | $11,233,831 |

## 7. LONG-TERM OBLIGATIONS (Continued)

### Wells Fargo Loan – Original Amount $500,000

The Agency entered into a loan agreement with Wells Fargo Bank for an original amount of $500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City's jurisdiction. Interest rate on the loan is fixed at 1.5% for the first 10 years and adjustable to a fixed rate 3.5% below the ten year U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

The annual debt service requirements on the Wells Fargo note are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | | $7,500 | $7,500 |
| 2008 | | 7,500 | 7,500 |
| 2009 | | 7,500 | 7,500 |
| 2010 | | 7,500 | 7,500 |
| 2011 | | 7,500 | 7,500 |
| 2012-2016 | | 37,500 | 37,500 |
| 2017 | $500,000 | 7,500 | 507,500 |
| **Total** | $500,000 | $82,500 | $582,500 |

### CHFA Help Loans – Original Amounts $1,500,000 and $1,000,000

The Redevelopment Agency (RDA) entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loans are due 10 years from the date of each loan. The loans bear a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2006 the Agency drew down proceeds of $1,000,000 and interest accrued to principal totaled $45,000.

### HUD Section 108 – Original Amount $3,000,000

In fiscal 2004, the City entered to a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

## 7. LONG-TERM OBLIGATIONS (Continued)

### HUD Section 108 – Original Amount $3,500,000

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

### CERF Loan – Original Amount $4,500,000

In fiscal 2006, the City received a loan from the Continental Environmental Redevelopment Fund to finance the costs of an environmental remediation program. Interest is payable quarterly. The loan is due in full in March 2007, with the option to extend the agreement for two additional years. As of June 30, 2006, the balance outstanding was $1,616,676.

### Debt Without Agency or City Commitment

A special assessment district has been established in a part of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

At June 30, 2006, one District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding at that date of $4,070,000.

## 7. LONG-TERM OBLIGATIONS (Continued)

### Conduit Debt

### 2003 Variable Rate Demand Multifamily Housing Revenue Refunding Bonds

On August 27, 2003, the Agency assisted Bridge Housing Acquisitions, Inc., in the issuance of Variable Rate Demand Multifamily Housing Revenue Refunding Bonds. The proceeds were used to repay existing obligations and rehabilitate The Summit at Hilltop, a 240-unit multifamily rental housing project. This debt issue is secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay this debt or be the purchaser of last resort of any foreclosed properties secured by this debt, nor is it obligated to advance Agency funds to repay this debt in the event of default. At June 30, 2006, the balance of this debt was $14,375,000.

## 8. DEFICIT NET ASSETS

At June 30, 2006, restrictions of net assets were as follows:

| | |
|---|---|
| Restricted net assets: | |
| Debt service | $2,478,820 |
| Low and moderate income housing | 11,674,830 |
| Unrestricted | (15,476,881) |
| **Total net assets** | ($1,323,231) |

The unrestricted net assets had a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition, the capital assets are turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

## 9. COMMITMENTS AND CONTINGENCIES

### Litigation

During fiscal year 2006, the Agency settled a claim against prior property owners of the Terminal One parcel for pollution. The Agency received a settlement reimbursement of $4.2 million which will be used to offset the Agency's costs of clean up at the site.

In addition to the above, the Agency is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In the Agency management's opinion, the outcome of these matters will not have a significant adverse effect on the Agency's financial position.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AGENCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Budget | | | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Use of money and property | | $587,000 | $796,779 | $209,779 |
| Other | | | 3,279,158 | 3,279,158 |
| Total Revenues | | 587,000 | 4,075,937 | 3,488,937 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Housing and redevelopment | $6,289,611 | 6,516,739 | 4,968,923 | 1,547,816 |
| Debt Service | | | | |
| Interest and fiscal charges | | | 1,516,464 | (1,516,464) |
| Total Expenditures | 6,289,611 | 6,516,739 | 6,485,387 | 31,352 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (6,289,611) | (5,929,739) | (2,409,450) | 3,520,289 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in from the City | | | 1,000,268 | 1,000,268 |
| Transfers in | | | 3,824,563 | 3,824,563 |
| Transfers (out) | | (387,000) | (1,601,000) | (1,214,000) |
| Total other financing sources (uses) | | (387,000) | 3,223,831 | 3,610,831 |
| NET CHANGE IN FUND BALANCE | ($6,289,611) | ($6,316,739) | 814,381 | $7,131,120 |
| BEGINNING FUND BALANCE | | | 1,619,303 | |
| ENDING FUND BALANCE | | | $2,433,684 | |

## NOTES TO BUDGETARY COMPARISON SCHEDULE

### Budgets and Budgetary Accounting

The Agency adopts a budget annually to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the Agency Board.

An operating budget is adopted each fiscal year for the General Special Revenue Fund. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the Agency Board over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data. Debt Service expenditures are made in accordance with debt payment schedules included in the official statements for the outstanding bonds.

Expenditures are controlled at the fund level for all budgeted departments within the Agency. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual include budget amendments approved by Agency Board.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP)

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the Agency Board. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the Agency Board.

RICHMOND REDEVELOPMENT AGENCY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

| | DEBT SERVICE FUNDS | | | | |
|---|---|---|---|---|---|
| | Pilot | Harbour Gate | Hensley | Nevin Center | North Richmond |
| ASSETS | | | | | |
| Cash and investments | $5,984 | $301,395 | $620,678 | $157,998 | $98,186 |
| Receivables: | | | | | |
| Interest | 420 | 2,422 | 5,946 | 388 | 305 |
| Advances to other funds | | | | | |
| Total Assets | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for: | | | | | |
| Debt service | | | | | |
| Advances to other funds | | | | | |
| Unreserved, undesignated | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |
| Total Fund Balances | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |

| DEBT SERVICE FUNDS | | | | CAPITAL PROJECTS FUND | |
|---|---|---|---|---|---|
| Wells Fargo | RDA 2004A TARB Debt Services | Housing 2004A TARB Debt Services | Housing 2004B TARB Debt Services | Hensley | Total Nonmajor Governmental Funds |
| $2,823 | $4,043 | $2,016 | $610 | $39,338 | $1,233,071 |
| 37 | 435 | 215 | 64 | | 10,232 |
| | | | | 103,685 | 103,685 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |
| $2,860 | $4,478 | $2,231 | $674 | | $10,243 |
| | | | | $103,685 | 103,685 |
| | | | | 39,338 | 1,233,060 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |

RICHMOND REDEVELOPMENT AGENCY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

| | DEBT SERVICE FUNDS | | | | |
|---|---|---|---|---|---|
| | Pilot | Harbour Gate | Hensley | Nevin Center | North Richmond |
| REVENUES | | | | | |
| Property | $90,054 | $500,902 | $1,431,042 | $112,684 | $77,110 |
| Use of money and property | 1,964 | 10,475 | 26,141 | 1,794 | 1,389 |
| Total Revenues | 92,018 | 511,377 | 1,457,183 | 114,478 | 78,499 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Housing and redevelopment | 8,389 | 46,164 | 151,542 | 10,829 | 7,444 |
| Debt Service | | | | | |
| Principal | | | | | |
| Interest and fiscal charges | | | | | |
| Total Expenditures | 8,389 | 46,164 | 151,542 | 10,829 | 7,444 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 83,629 | 465,213 | 1,305,641 | 103,649 | 71,055 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | 113,249 | | |
| Transfers (out) | (80,000) | (548,406) | (1,888,161) | (35,516) | (32,771) |
| Total Other Financing Sources (Uses) | (80,000) | (548,406) | (1,774,912) | (35,516) | (32,771) |
| NET CHANGE IN FUND BALANCES | 3,629 | (83,193) | (469,271) | 68,133 | 38,284 |
| BEGINNING FUND BALANCES | 2,775 | 387,010 | 1,095,895 | 90,253 | 60,207 |
| ENDING FUND BALANCES | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |

| DEBT SERVICE FUNDS | | | | CAPITAL PROJECTS FUND | |
|---|---|---|---|---|---|
| Wells Fargo | RDA 2004A TARB Debt Services | Housing 2004A TARB Debt Services | Housing 2004B TARB Debt Services | Hensley | Total Nonmajor Governmental Funds |
| | | | | | $2,211,792 |
| $405 | $30,914 | $15,450 | $5,932 | $700 | 95,164 |
| 405 | 30,914 | 15,450 | 5,932 | 700 | 2,306,956 |
| | | | | | 224,368 |
| | 173,333 | 86,667 | 75,000 | | 335,000 |
| 7,500 | 514,811 | 257,655 | 76,263 | | 856,229 |
| 7,500 | 688,144 | 344,322 | 151,263 | | 1,415,597 |
| (7,095) | (657,230) | (328,872) | (145,331) | 700 | 891,359 |
| | 661,708 | 331,103 | 146,005 | | 1,252,065 |
| | | | | | (2,584,854) |
| | 661,708 | 331,103 | 146,005 | | (1,332,789) |
| (7,095) | 4,478 | 2,231 | 674 | 700 | (441,430) |
| 9,955 | | | | 142,323 | 1,788,418 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |

RICHMOND REDEVELOPMENT AGENCY
AGENCY FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Balance June 30, 2005 | Additions | Reductions | Balance June 30, 2006 |
|---|---|---|---|---|
| Marina Westshore CFD 1998-1 | | | | |
| Cash and investments | | $663,231 | $322,692 | $340,539 |
| Restricted cash and investments | $332,070 | 10,594 | | 342,664 |
| Accounts receivable | 329,051 | | 329,051 | |
| Interest receivable | 1,007 | | 2,022 | (1,015) |
| Total Assets | $662,128 | $673,825 | $653,765 | $682,188 |
| Due to assessment district bondholders | $662,128 | $673,825 | $653,765 | $682,188 |

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Governing Board
Richmond Redevelopment Agency
Richmond, California

We have audited the financial statements of the Richmond Redevelopment Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, except as noted below in the Schedule of Current Year Findings, that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze and Associates

December 15, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

## SCHEDULE OF CURRENT YEAR FINDINGS

**Finding 06-1:**

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2005 with the State Controller's Report as of December 31, 2005, as required under Health and Safety Code Section 33080.1. The report was filed on May 12, 2006.

**Redevelopment Agency Response:**

The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance. The Agency will be filing these reports by December 31, 2006 for FY06.

**Finding 06-2:**

Health and Safety Code Section 33418 requires that the Agency have property owners or managers of housing involving Agency funding to submit an annual report to the Agency. We selected the Agency's three projects funded by the Low and Moderate Income Housing Capital Projects Fund to test for this compliance requirement. Only one of the reports included the information required by Health and Safety Code Section 33418. The Agency should require property owners or managers to submit the required reports annually and review the reports for compliance.

**Redevelopment Agency Response:**

The Agency has started its monitoring processes and will continue to enhance these processes. The Agency will also consider going out to bid to do more active monitoring of homeownership units.

## SCHEDULE OF PRIOR YEAR FINDINGS

**Finding 05-1:**

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2004 with the State Controller's Report as of December 31, 2004, as required under Health and Safety Code Section 33080.1.

**Current Status:**

The Agency sent the State Controller's Report on December 28, 2005 and the Independent Auditor report was sent on May 12, 2006. The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance so these documents can accompany the State Controllers Report to meet the deadline of December 31.

**Finding 05-2:**

The Agency did not prepare a written determination showing that planning and administrative expenditures were necessary for the production, improvement or preservation of low and moderate income housing for the year ended June 30, 2004, as required by Health and Safety Code Section 33334.3(d).

**Current Status:**

The staff report accompanying the Agency's 2004-05 budget approved by the Agency Board on June 22, 2004 indicates that the determination that spending Low/Mod funds on administrative and planning costs was necessary for the production, improvement and preservation of low and moderate income housing. The RCRA will state the determination in writing in future budget reports.

**Finding 05-3:**

The Agency must require property owners or managers of such housing to submit an annual report to the Agency, as required under Health and Safety Code Section 33418. The Agency was unable to locate any annual reports from property owners or managers.

**Current Status:**

The Agency has started its monitoring processes and has submitted a monitoring binder to Maze & Associates for FY06. The Agency will also consider going out to bid to do more active monitoring of homeownership units. Also, see Finding 06-2

# APPENDIX J

# AUCTION PROCEDURES

## AUCTION PROCEDURES

TABLE OF CONTENTS


**Page**

ARTICLE I Definitions ..... J-1

ARTICLE II Auction Procedures ..... J-7

Section 2.01. Orders by Existing Owners and Potential Owners ..... J-7

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent ..... J-9

Section 2.03. Treatment of Orders by the Auction Agent ..... J-11

Section 2.04. Determination of Auction Period Rate ..... J-13

Section 2.05. Allocation of Bonds ..... J-14

Section 2.06. Notice of Auction Period Rate ..... J-16

Section 2.07. Index ..... J-17

Section 2.08. Miscellaneous Provisions Regarding Auctions ..... J-18

Section 2.09. Changes in Auction Period or Auction Date ..... J-18

SCHEDULE I TO EXHIBIT J ..... J-23

# AUCTION PROCEDURES

*Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.*

## ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with

respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any 2007 Series A Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table

below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) When Auctions Occur on this day | (B) Auction Period Generally Begins this day | (C) Auction Periods Generally End this day |
|---|---|---|
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

"Auction Rate" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

"Available Bonds" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Deadline" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer

may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"Clerical Error" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Electronic Means" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a

Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"Hold Order" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"Index" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit B.

"Securities Depository" means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Submission Deadline" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Sufficient Clearing Bids" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"Winning Bid Rate" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in

clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held

by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer

Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the

new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid

Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. *Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order

to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT J

Definitions

"Agency" means the Richmond Community Redevelopment Agency.

"All Hold Rate" means, as of any Auction Date, __% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and __% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"ARB Interest Payment Date" includes the first ARB Interest Payment Date which shall be _____, for the 2007 Series A Bonds.

"ARB Maximum Rate" means twelve percent (12%) per annum.

"Auction Agent" shall initially be [Union Bank of California, N.A.]

"Auction Date" shall include as part of the definition the first Auction Date which shall be _____ for the 2007 Series A Bonds.

"Auction Period" shall include in the *Six-month Auction Period* either February 28 or October 31.

"Broker-Dealer" selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

"Index" means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less _____. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by Agency and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" means the period from the Closing Date to but not including _____, 2007 with respect to the 2007 Series A Bonds.

Auction Procedures

*Determination of Auction Period Rate.* The percentage of the Index in Section 2.04(c) is ___% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and __% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

# APPENDIX K

# TABLE OF ACCRETED VALUES

[THIS PAGE INTENTIONALLY LEFT BLANK]

| Date | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500885% | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% | 09/01/2029 @ 6.2500817% | 09/01/2030 @ 6.2600867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 7/12/2007 | 4 697 45 | 4 441 70 | 4 192 00 | 3 958 70 | 3 729 50 | 3 505 80 | 2 751 60 | 2 580 15 | 2 425 60 | 2 273 85 | 2 129 50 | 1 993 00 | 1 866 70 | 1 756 15 | 1 649 20 | 1 548 50 | 1 453 65 | 1 364 35 | 1 277 55 | 1 195 80 | 1 118 85 | 1 046 45 | 978 35 | 914 30 | 854 15 | 797 65 |
| 9/1/2007 | 4 732 71 | 4 475 34 | 4 224 19 | 3 990 21 | 3 758 59 | 3 533 52 | 2 773 76 | 2 601 10 | 2 445 36 | 2 292 29 | 2 147 07 | 2 009 55 | 1 882 28 | 1 770 81 | 1 662 99 | 1 561 46 | 1 465 84 | 1 375 81 | 1 288 31 | 1 205 91 | 1 128 34 | 1 055 35 | 986 70 | 922 13 | 861 48 | 804 52 |
| 3/1/2008 | 4 864 52 | 4 601 10 | 4 344 58 | 4 104 34 | 3 867 40 | 3 637 23 | 2 856 69 | 2 679 52 | 2 519 33 | 2 362 09 | 2 212 88 | 2 071 55 | 1 940 63 | 1 825 70 | 1 714 62 | 1 610 03 | 1 511 50 | 1 418 73 | 1 328 64 | 1 243 77 | 1 163 88 | 1 088 70 | 1 017 98 | 951 45 | 888 96 | 830 26 |
| 9 1/2008 | 5 000 00 | 4 730 40 | 4 468 40 | 4 221 72 | 3 979 36 | 3 743 99 | 2 942 11 | 2 760 31 | 2 595 54 | 2 434 02 | 2 280 71 | 2 135 46 | 2 000 79 | 1 882 30 | 1 767 86 | 1 660 10 | 1 558 59 | 1 463 00 | 1 370 23 | 1 282 83 | 1 200 54 | 1 123 10 | 1 050 25 | 981 71 | 917 32 | 856 83 |
| 3/1/2009 | | 4 863 33 | 4 595 75 | 4 342 46 | 4 094 57 | 3 853 88 | 3 030 08 | 2 843 54 | 2 674 06 | 2 508 13 | 2 350 62 | 2 201 34 | 2 062 82 | 1 940 85 | 1 822 76 | 1 711 73 | 1 607 14 | 1 508 65 | 1 413 11 | 1 323 11 | 1 238 36 | 1 158 59 | 1 083 54 | 1 012 93 | 946 59 | 884 25 | |
| 9/1/2009 | | 5 000 00 | 4 726 73 | 4 466 66 | 4 213 11 | 3 966 99 | 3 120 68 | 2 929 27 | 2 754 95 | 2 584 51 | 2 422 66 | 2 269 25 | 2 126 77 | 2 000 81 | 1 879 35 | 1 764 96 | 1 657 20 | 1 555 72 | 1 457 35 | 1 364 66 | 1 277 37 | 1 195 21 | 1 117 89 | 1 045 14 | 976 78 | 912 56 | |
| 3/1/2010 | | | 4 861 45 | 4 594 41 | 4 335 08 | 4 083 43 | 3 213 98 | 3 017 59 | 2 838 29 | 2 663 20 | 2 496 92 | 2 339 26 | 2 192 70 | 2 062 84 | 1 937 71 | 1 819 86 | 1 708 82 | 1 604 26 | 1 502 98 | 1 407 51 | 1 317 61 | 1 232 97 | 1 153 33 | 1 078 37 | 1 007 94 | 941 75 | |
| 9/1/2010 | | | 5 000 00 | 4 725 81 | 4 460 59 | 4 203 28 | 3 310 08 | 3 108 57 | 2 924 15 | 2 744 30 | 2 573 45 | 2 411 42 | 2 260 67 | 2 125 79 | 1 997 88 | 1 876 45 | 1 762 05 | 1 654 31 | 1 550 00 | 1 451 70 | 1 359 11 | 1 271 94 | 1 189 89 | 1 112 67 | 1 040 10 | 971 89 | |
| 3/1/2011 | | | | 4 860 97 | 4 589 72 | 4 326 65 | 3 409 05 | 3 202 29 | 3 012 60 | 2 827 86 | 2 652 33 | 2 485 82 | 2 330 75 | 2 192 72 | 2 059 91 | 1 934 81 | 1 816 94 | 1 705 93 | 1 598 52 | 1 497 29 | 1 401 92 | 1 312 13 | 1 227 61 | 1 148 05 | 1 073 28 | 1 002 99 | |
| 9/1/2011 | | | | 5 000 00 | 4 722 60 | 4 453 65 | 3 510 99 | 3 298 84 | 3 103 74 | 2 913 97 | 2 733 63 | 2 562 51 | 2 403 01 | 2 260 69 | 2 123 87 | 1 994 99 | 1 873 54 | 1 759 15 | 1 648 55 | 1 544 30 | 1 446 08 | 1 353 59 | 1 266 52 | 1 184 56 | 1 107 52 | 1 035 08 | |
| 3/1/2012 | | | | | 4 858 32 | 4 584 37 | 3 615 96 | 3 398 30 | 3 197 63 | 3 002 70 | 2 817 41 | 2 641 56 | 2 477 50 | 2 330 77 | 2 189 82 | 2 057 03 | 1 931 90 | 1 814 04 | 1 700 15 | 1 592 79 | 1 491 64 | 1 396 37 | 1 306 67 | 1 222 23 | 1 142 85 | 1 068 21 | |
| 9/1/2012 | | | | | 5 000 00 | 4 718 92 | 3 724 08 | 3 500 76 | 3 294 36 | 3 094 13 | 2 903 77 | 2 723 05 | 2 554 31 | 2 403 03 | 2 257 82 | 2 121 01 | 1 992 08 | 1 870 64 | 1 753 37 | 1 642 81 | 1 538 62 | 1 440 49 | 1 348 09 | 1 261 10 | 1 179 30 | 1 102 39 | |
| 3/1/2013 | | | | | | 4 857 43 | 3 835 43 | 3 606 31 | 3 394 01 | 3 186 35 | 2 992 77 | 2 807 06 | 2 633 49 | 2 477 52 | 2 327 92 | 2 186 97 | 2 054 14 | 1 929 00 | 1 808 25 | 1 694 39 | 1 587 09 | 1 486 01 | 1 390 83 | 1 301 20 | 1 216 92 | 1 137 67 | |
| 9/1/2013 | | | | | | 5 000 00 | 3 950 11 | 3 715 04 | 3 496 68 | 3 285 44 | 3 084 50 | 2 893 66 | 2 715 13 | 2 554 33 | 2 400 21 | 2 254 99 | 2 118 12 | 1 989 19 | 1 864 85 | 1 747 60 | 1 637 09 | 1 532 97 | 1 434 92 | 1 342 58 | 1 255 75 | 1 174 07 | |
| 3/1/2014 | | | | | | | 4 068 22 | 3 827 05 | 3 602 46 | 3 385 48 | 3 179 05 | 2 982 93 | 2 799 30 | 2 633 51 | 2 474 74 | 2 325 12 | 2 184 11 | 2 051 25 | 1 923 22 | 1 802 47 | 1 688 85 | 1 581 41 | 1 480 40 | 1 385 28 | 1 295 80 | 1 211 64 | |
| 9/1/2014 | | | | | | | 4 189 88 | 3 942 44 | 3 711 44 | 3 488 57 | 3 276 49 | 3 074 96 | 2 885 08 | 2 715 15 | 2 551 58 | 2 397 43 | 2 252 14 | 2 115 25 | 1 983 42 | 1 859 07 | 1 741 65 | 1 631 39 | 1 527 33 | 1 429 33 | 1 337 14 | 1 250 42 | |
| 3/1/2015 | | | | | | | 4 315 14 | 4 061 31 | 3 823 71 | 3 594 79 | 3 376 91 | 3 169 82 | 2 975 56 | 2 799 32 | 2 630 81 | 2 471 99 | 2 322 30 | 2 181 25 | 2 045 50 | 1 917 45 | 1 796 72 | 1 682 94 | 1 575 75 | 1 474 79 | 1 379 80 | 1 290 43 | |
| 9/1/2015 | | | | | | | 4 444 16 | 4 183 78 | 3 939 38 | 3 704 25 | 3 480 42 | 3 267 61 | 3 067 80 | 2 886 10 | 2 712 50 | 2 548 87 | 2 394 64 | 2 249 30 | 2 109 53 | 1 977 66 | 1 853 31 | 1 736 12 | 1 625 70 | 1 521 68 | 1 423 81 | 1 331 73 | |
| 3/1/2016 | | | | | | | 4 577 04 | 4 309 90 | 4 058 54 | 3 817 05 | 3 587 10 | 3 368 42 | 3 162 90 | 2 975 57 | 2 796 72 | 2 628 14 | 2 469 23 | 2 319 48 | 2 175 56 | 2 039 76 | 1 911 69 | 1 790 98 | 1 677 24 | 1 570 08 | 1 469 24 | 1 374 34 | |
| 9/1/2016 | | | | | | | 4 713 89 | 4 439 84 | 4 181 32 | 3 933 28 | 3 697 04 | 3 472 34 | 3 260 96 | 3 067 82 | 2 883 56 | 2 709 88 | 2 546 15 | 2 243 85 | 2 113 80 | 1 971 91 | 1 847 58 | 1 730 41 | 1 620 01 | 1 516 10 | 1 418 32 | | |
| 3/1/2017 | | | | | | | 4 854 84 | 4 573 71 | 4 307 80 | 4 053 05 | 3 810 35 | 3 579 46 | 3 362 05 | 3 162 92 | 2 973 10 | 2 794 16 | 2 625 46 | 2 466 48 | 2 313 88 | 2 169 86 | 2 034 03 | 1 905 96 | 1 785 26 | 1 671 52 | 1 564 47 | 1 463 71 | |
| 9/1/2017 | | | | | | | 5 000 00 | 4 711 60 | 4 438 12 | 4 176 46 | 3 927 15 | 3 689 89 | 3 466 27 | 3 260 97 | 3 065 42 | 2 881 06 | 2 707 25 | 2 543 44 | 2 386 30 | 2 238 00 | 2 098 10 | 1 966 19 | 1 841 86 | 1 724 66 | 1 614 38 | 1 510 55 | |
| 3/1/2018 | | | | | | | | 4 653 66 | 4 572 37 | 4 303 63 | 4 047 52 | 3 803 72 | 3 573 73 | 3 362 08 | 3 160 60 | 2 970 66 | 2 791 58 | 2 622 79 | 2 460 99 | 2 308 27 | 2 164 19 | 2 028 32 | 1 900 24 | 1 779 53 | 1 665 86 | 1 558 88 | |
| 9/1/2018 | | | | | | | | 5 000 00 | 4 710 69 | 4 434 68 | 4 171 58 | 3 921 07 | 3 684 52 | 3 466 29 | 3 258 74 | 3 063 05 | 2 878 54 | 2 704 63 | 2 538 02 | 2 380 75 | 2 232 37 | 2 092 42 | 1 960 48 | 1 836 12 | 1 719 02 | 1 608 77 | |
| 3/1/2019 | | | | | | | | | 4 853 19 | 4 569 72 | 4 299 44 | 4 042 04 | 3 798 74 | 3 573 74 | 3 358 92 | 3 158 31 | 2 968 21 | 2 789 01 | 2 617 47 | 2 455 51 | 2 302 69 | 2 158 54 | 2 022 63 | 1 894 51 | 1 773 86 | 1 660 25 | |
| 9/1/2019 | | | | | | | | | 5 000 00 | 4 708 86 | 4 431 23 | 4 166 74 | 3 918 50 | 3 684 53 | 3 464 25 | 3 256 54 | 3 060 67 | 2 876 03 | 2 699 39 | 2 532 62 | 2 375 22 | 2 226 75 | 2 086 75 | 1 954 75 | 1 830 44 | 1 713 38 | |
| 3/1/2020 | | | | | | | | | | 4 852 25 | 4 567 05 | 4 297 28 | 4 037 92 | 3 798 75 | 3 571 82 | 3 357 82 | 3 156 01 | 2 965 76 | 2 783 89 | 2 612 14 | 2 450 04 | 2 297 12 | 2 152 90 | 2 016 92 | 1 888 84 | 1 768 21 | |
| 9/1/2020 | | | | | | | | | | 5 000 00 | 4 707 03 | 4 427 79 | 4 163 10 | 3 916 51 | 3 682 73 | 3 462 25 | 3 254 32 | 3 058 30 | 2 871 02 | 2 694 16 | 2 527 22 | 2 369 71 | 2 221 15 | 2 081 06 | 1 949 09 | 1 824 79 | |
| 3/1/2021 | | | | | | | | | | | 4 851 30 | 4 564 39 | 4 292 15 | 4 037 93 | 3 797 08 | 3 569 92 | 3 356 70 | 3 153 72 | 2 960 89 | 2 778 76 | 2 606 83 | 2 444 59 | 2 291 56 | 2 147 24 | 2 011 27 | 1 883 19 | |
| 9/1/2021 | | | | | | | | | | | 5 000 00 | 4 705 21 | 4 425 21 | 4 163 10 | 3 914 98 | 3 680 95 | 3 460 23 | 3 253 56 | 3 053 56 | 2 866 01 | 2 688 94 | 2 521 84 | 2 364 20 | 2 215 52 | 2 075 43 | 1 943 45 | |
| 3/1/2022 | | | | | | | | | | | | 4 850 36 | 4 562 40 | 4 292 16 | 4 036 54 | 3 795 43 | 3 568 02 | 3 353 58 | 3 149 14 | 2 956 01 | 2 773 65 | 2 601 53 | 2 439 15 | 2 285 98 | 2 141 64 | 2 005 64 | |
| 9/1/2022 | | | | | | | | | | | | 5 000 00 | 4 703 84 | 4 425 22 | 4 161 88 | 3 913 47 | 3 679 16 | 3 458 22 | 3 247 71 | 3 048 83 | 2 861 02 | 2 683 74 | 2 516 47 | 2 358 67 | 2 209 96 | 2 069 82 | |
| 3/1/2023 | | | | | | | | | | | | | 4 849 66 | 4 562 40 | 4 291 11 | 4 035 18 | 3 793 77 | 3 566 12 | 3 349 37 | 3 144 56 | 2 951 14 | 2 786 55 | 2 596 24 | 2 433 68 | 2 280 46 | 2 136 06 | |
| 9/1/2023 | | | | | | | | | | | | | 5 000 00 | 4 703 84 | 4 424 35 | 4 160 68 | 3 911 95 | 3 677 38 | 3 454 20 | 3 243 30 | 3 044 10 | 2 856 04 | 2 678 54 | 2 511 07 | 2 353 21 | 2 204 41 | |
| 3/1/2024 | | | | | | | | | | | | | | 4 849 66 | 4 561 73 | 4 290 08 | 4 033 81 | 3 792 12 | 3 562 32 | 3 345 15 | 3 139 99 | 2 946 29 | 2 763 45 | 2 590 93 | 2 428 28 | 2 274 95 | |
| 9/1/2024 | | | | | | | | | | | | | | 5 000 00 | 4 703 38 | 4 423 50 | 4 159 46 | 3 910 43 | 3 673 82 | 3 450 16 | 3 238 91 | 3 039 39 | 2 851 05 | 2 673 32 | 2 505 74 | 2 347 75 | |
| 3/1/2025 | | | | | | | | | | | | | | | 4 849 42 | 4 561 07 | 4 289 03 | 4 032 44 | 3 788 81 | 3 558 52 | 3 340 93 | 3 135 44 | 2 941 43 | 2 758 34 | 2 585 67 | 2 422 88 | |
| 9/1/2025 | | | | | | | | | | | | | | | 5 000 00 | 4 702 92 | 4 422 84 | 4 158 26 | 3 907 41 | 3 670 26 | 3 446 17 | 3 234 52 | 3 034 68 | 2 846 05 | 2 668 16 | 2 500 42 | |
| 3/1/2026 | | | | | | | | | | | | | | | | 4 849 19 | 4 560 41 | 4 288 00 | 4 029 71 | 3 785 51 | 3 554 73 | 3 336 73 | 3 130 88 | 2 936 56 | 2 753 28 | 2 580 43 | |
| 9/1/2026 | | | | | | | | | | | | | | | | 5 000 00 | 4 702 47 | 4 421 78 | 4 155 84 | 3 904 38 | 3 666 70 | 3 442 17 | 3 230 13 | 3 029 95 | 2 841 11 | 2 663 01 | |
| 3/1/2027 | | | | | | | | | | | | | | | | | 4 848 95 | 4 559 75 | 4 285 92 | 4 026 97 | 3 782 21 | 3 550 94 | 3 332 53 | 3 126 30 | 2 931 74 | 2 748 22 | |
| 9/1/2027 | | | | | | | | | | | | | | | | | 5 000 00 | 4 702 01 | 4 420 07 | 4 153 42 | 3 901 35 | 3 663 16 | 3 438 17 | 3 225 72 | 3 025 26 | 2 836 17 | |
| 3/1/2028 | | | | | | | | | | | | | | | | | | 4 848 72 | 4 558 42 | 4 283 84 | 4 024 24 | 3 778 91 | 3 547 16 | 3 328 30 | 3 121 77 | 2 926 93 | |
| 9/1/2028 | | | | | | | | | | | | | | | | | | 5 000 00 | 4 701 10 | 4 418 36 | 4 151 01 | 3 898 33 | 3 659 60 | 3 434 15 | 3 221 36 | 3 020 59 | |
| 3/1/2029 | | | | | | | | | | | | | | | | | | | 4 848 25 | 4 557 09 | 4 281 77 | 4 021 52 | 3 775 62 | 3 543 36 | 3 324 12 | 3 117 25 | |
| 9/1/2029 | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 700 19 | 4 416 64 | 4 148 80 | 3 895 30 | 3 656 04 | 3 430 16 | 3 217 00 | |
| 3/1/2030 | | | | | | | | | | | | | | | | | | | | 4 847 78 | 4 555 77 | 4 279 69 | 4 018 79 | 3 772 30 | 3 539 59 | 3 319 95 | |
| 9/1/2030 | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 699 28 | 4 414 93 | 4 146 18 | 3 892 27 | 3 652 51 | 3 426 19 | |
| 3/1/2031 | | | | | | | | | | | | | | | | | | | | | 4 847 31 | 4 554 45 | 4 277 62 | 4 016 04 | 3 769 02 | 3 535 83 | |
| 9/1/2031 | | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 698 37 | 4 413 22 | 4 143 78 | 3 889 26 | 3 648 98 | |
| 3/1/2032 | | | | | | | | | | | | | | | | | | | | | | 4 846 84 | 4 553 12 | 4 275 53 | 4 013 33 | 3 765 75 | |
| 9/1/2032 | | | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 697 46 | 4 411 50 | 4 141 36 | 3 886 25 | |
| 3/1/2033 | | | | | | | | | | | | | | | | | | | | | | | 4 846 37 | 4 551 79 | 4 273 47 | 4 010 61 | |
| 9/1/2033 | | | | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 696 54 | 4 409 79 | 4 138 95 | |
| 3/1/2034 | | | | | | | | | | | | | | | | | | | | | | | | 4 845 90 | 4 550 47 | 4 271 40 | |
| 9/1/2034 | | | | | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 695 63 | 4 408 09 | |
| 3/1/2035 | | | | | | | | | | | | | | | | | | | | | | | | | 4 845 43 | 4 549 15 | |
| 9/1/2035 | | | | | | | | | | | | | | | | | | | | | | | | | 5 000 00 | 4 694 73 | |
| 3/1/2036 | | | | | | | | | | | | | | | | | | | | | | | | | | 4 844 96 | |
| 9/1/2036 | | | | | | | | | | | | | | | | | | | | | | | | | | 5 000 00 | |

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUPPLEMENT TO OFFICIAL STATEMENT**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**(Richmond, California)**

**$65,400,000**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**
**(Reset Auction Mode Securities – RAMS™*)**

CUSIP No. 764424 BF3

This document supplements the Official Statement for the above referenced issue dated June 28, 2007 (the "Official Statement"). All capitalized terms herein shall have the meanings ascribed thereto in the Official Statement.

The Official Statement incorrectly states that the first Interest Payment Date for the Series 2007A Bonds is August 30, 2007 and that the first Auction Period for the Series 2007A Bonds ends on and includes August 29, 2007.

The correct dates are as follows:

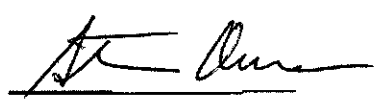
**End of first Auction Period for Series 2007A Bonds: August 15, 2007**

**First Interest Payment Date for Series 2007A Bonds: August 16, 2007**

All references to such dates in the Official Statement are hereby amended to refer to the corrected dates listed above.

Dated: July 11, 2007

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY



* RAMS™ is a trademark of RBC Dain Rauscher, Inc.

# AUCTION AGREEMENT

between

UNION BANK OF CALIFORNIA, N.A.,
as Trustee

and

WELLS FARGO BANK, N.A.,
as Auction Agent

Dated July 12, 2007

Relating to

$65,400,000
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas) 2007 Series A

TABLE OF CONTENTS


Page

**1. *Definitions and Rules of Construction.*** ..... **1**

1.1 Terms Defined by Reference to the Auction Procedures. ..... 1
1.2 Additional Terms Defined Herein. ..... 1
1.3 Rules of Construction. ..... 2

**2. *The Auction.*** ..... **3**

2.1 Purpose; Incorporation by Reference of Auction Procedures. ..... 3
2.2 Preparation for Each Auction; Maintenance of Registry of Existing Owners; and Redemptions. ..... 3
2.3 Public Dissemination of Auction Results. ..... 4
2.4 Notices to Existing Owners. ..... 4
2.5 Broker-Dealers. ..... 4
2.6 Access to and Maintenance of Auction Records. ..... 5
2.7 Membership in the Securities Depository. ..... 5
2.8 ARS Rate Conversion. ..... 5
2.9 Notice of Conversion. ..... 6

**3. *The Auction-Agent*** ..... **6**

3.1 Duties and Responsibilities. ..... 6
3.2 Rights of the Auction Agent. ..... 7
3.3 Auction Agent's Disclaimer. ..... 8
3.4 Compensation, Expenses and Indemnification Relating to the Auction Agent. ..... 8
3.5 Compensation of the Broker-Dealers. ..... 8

**4. *Miscellaneous.*** ..... **9**

4.1 Terms of Agreement. ..... 9
4.2 Agency's Obligations. ..... 9
4.3 Communications. ..... 9
4.4 Entire Agreement. ..... 11
4.5 Benefits. ..... 11
4.6 Amendment; Waiver; Successors and Assigns. ..... 11
4.7 Severability. ..... 12
4.8 Execution in Counterparts. ..... 12
4.9 Governing Law; Submission to Jurisdiction; Waiver of Trial by Jury ..... 12
4.10 Duties and Responsibilities of the Trustee. ..... 12

**EXHIBIT A**
AUCTION PROCEDURES

**EXHIBIT B**
FORM OF BROKER-DEALER AGREEMENT

**EXHIBIT C**
LIST OF INITIAL BROKER-DEALERS

# AUCTION AGREEMENT

This AUCTION AGREEMENT, dated July 1, 2007 (this "Agreement"), between (i) UNION BANK OF CALIFORNIA, N.A., as Trustee (the "Trustee") pursuant to an Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007 (together, the "Indenture"), between the Richmond Community Redevelopment Agency (the "Agency") and the Trustee, and (ii) WELLS FARGO BANK, N.A., as auction agent (together with its successors and assigns, the "Auction Agent").

W I T N E S S E T H:

**WHEREAS**, the Agency is issuing $65,400,000 aggregate principal amount of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A (the "Bonds"), maturing on September 1, 2036, pursuant to the Indenture;

**WHEREAS**, the Bonds will initially be issued as auction rate securities;

**WHEREAS**, the Trustee is entering into this Agreement as agent for the beneficial owners of the Bonds;

**WHEREAS**, the Auction Agent will perform certain duties set forth in Exhibit A, including Schedule I thereto, attached hereto (the "Auction Procedures");

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Trustee and the Auction Agent agree as follows:

## 1. *Definitions and Rules of Construction.*

### 1.1 Terms Defined by Reference to the Auction Procedures.

Capitalized terms not defined herein shall have the respective meanings specified in the Auction Procedures.

### 1.2 Additional Terms Defined Herein.

Certain terms used herein are defined in the recitals to this Agreement. In addition, as used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Agent Acceptance Fee" means an acceptance fee, if any, as set forth in a written agreement signed by the Auction Agent and the Agency.

(b) "Auction Agent Fee" means the fees, other than the Auction Agent Acceptance Fee, set forth in a written agreement between the Auction Agent and the Agency.

(c) "Authorized Officer" means each Senior Vice President, Vice President, Assistant Vice President and authorized representative of the Auction Agent assigned to the Auction Agent Services Group of its Corporate Trust Services Department and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(d) "Authorized Trustee Representative" means each Senior Vice President, Vice President, Assistant Vice President, Senior Trust Officer, Trust Officer and Assistant Treasurer of the Trustee and every other officer or employee of the Trustee designated as an "Authorized Trustee Representative" for purposes hereof in a written communication signed by an Authorized Trustee Representative and delivered to the Auction Agent.

(e) "Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer substantially in the form attached hereto as Exhibit B.

(f) "Broker-Dealer Fee Rate" means the rate per annum at which the fees to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreements in connection with the Auctions accrue pursuant to Section 2.5 of the Broker-Dealer Agreement.

(g) "Existing Owner Registry" means the register maintained by the Auction Agent pursuant to Section 2.2(a)(i).

(h) "Participant" of any Person means the member of, or participant in, the Securities Depository that will act on behalf of an Existing Owner or Potential Owner.

1.3 Rules of Construction.

Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Agreement as a whole and not to any particular section or other subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) All references herein to Sections or Exhibits are to Sections of or Exhibits to this Agreement unless the context otherwise indicates.

(f) Any reference to Bonds shall be deemed to be a reference to each series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each series of Bonds.

**2. *The Auction.***

2.1 Purpose; Incorporation by Reference of Auction Procedures.

(a) The Indenture provides that the interest rate on the Bonds for each Auction Period after the Initial Period, except as provided in Section 2.04 of the Auction Procedures, shall equal the Auction Rate that an Auction Agent appointed by the Trustee determines to have resulted from implementation of the Auction Procedures. The Trustee, at the written direction of the Agency, hereby appoints Wells Fargo Bank, N.A. as Auction Agent for purposes of the Auction Procedures and to perform such other obligations and duties as are set forth herein and in each Broker-Dealer Agreement, in each case, specified to be performed by the Auction Agent, provided however, that the Trustee shall have no responsibility for the Auction Agent or the Auction Agent's performance or conduct under this Agreement. The Auction Agent hereby accepts such appointment as Auction Agent and agrees that, on each Auction Date, it shall follow the procedures set forth in the Auction Procedures for the purpose of, among other things, determining the Auction Period Rate for each Auction Period (other than the Initial Period).

(b) Subject to Section 4.1(a), all of the provisions contained in the Auction Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part hereof to the same extent as if such provisions were fully set forth herein. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto.

2.2 Preparation for Each Auction; Maintenance of Registry of Existing Owners; and Redemptions.

(a) Prior to each Auction Date in which a Broker-Dealer will participate, the Agency shall provide the Auction Agent with a manually signed Broker-Dealer Agreement executed by such Broker-Dealer, if not previously so provided. The Auction Agent shall maintain a current registry of Persons that are Existing Owners (such registry being herein called the "Existing Owner Registry"). Such Persons shall constitute the Existing Owners for purposes of each Auction. The Auction Agent may conclusively rely upon, as evidence of the identities of the Existing Owners, (i) the results of each Auction, and (ii) notices from any Existing Owner as described in the first sentence of Section 2.2(c).

(b) The Trustee shall notify the Auction Agent when any notice of redemption or defeasance on the date received is sent to the Securities Depository as Holder of the Bonds. Prior to sending the notice, the Trustee shall verify with the Auction Agent the lottery publication date to be used in the notice. In the event the Auction Agent receives written notice from the Trustee of any redemption or defeasance of any Bonds, the Trustee shall, at least three Business Days prior to the redemption date, or defeasance date, as applicable, with respect to such Bonds, request the Securities Depository to notify the Auction Agent of the identities of the Participants (and the respective principal amounts) from the accounts of Bonds have been called for redemption or defeasance and at least one Business Day prior to the redemption date, or

defeasance date, as applicable, with respect to Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such Participant of the Existing Owners whose Bonds are to be redeemed or defeased) the aggregate principal amount of such Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph (b), the Auction Agent shall forward the contents of such notice to the related Broker-Dealer by Electronic Means.

(c) The Auction Agent shall register in the Existing Owner Registry a transfer of Bonds from an Existing Owner to another Person only if (i) such transfer is pursuant to an Auction or (ii) if such transfer is made other than pursuant to an Auction, the Auction Agent has been notified in writing, which may be in Electronic Means acceptable to the Auction Agent, by the Existing Owner that is the transferor of such transfer. The Auction Agent is not required to accept any notice of transfer delivered prior to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the Auction Date on which the applicable Auction is taking place.

2.3 Public Dissemination of Auction Results.

The Auction Agent, unless instructed otherwise by the Agency, is authorized (but not required) to release the Winning Bid Rate after each Auction for public dissemination.

2.4 Notices to Existing Owners.

The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Owner as such address is delivered by such Existing Owner in connection with any notice to Existing Owner required to be given by the Auction Agent.

2.5 Broker-Dealers.

(a) If the Auction Agent is provided with a copy of a Broker-Dealer Agreement, which has been manually signed with any Broker-Dealer listed on Exhibit C hereto, then the Auction Agent shall enter into such Broker-Dealer Agreement with such Person.

(b) The Auction Agent may, at the written direction of the Agency, enter into a Broker-Dealer Agreement with any other Person who requests to be selected to act as a Broker-Dealer. The Auction Agent shall enter into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall only be required to enter into a Broker-Dealer Agreement if such Broker-Dealer Agreement is in substantially the form attached hereto as Exhibit B and has been duly executed and delivered by the proposed Broker-Dealer. The Auction Agent shall also be entitled to request and receive an incumbency certificate and specimen signatures from such Broker-Dealer and may refuse to act upon any direction from a representative of a Broker-Dealer that has not submitted an incumbency certificate and specimen signatures.

(c) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Trustee in writing, the Trustee acting at the written direction of the Agency (of which a copy shall be provided to the Auction Agent).

2.6 Access to and Maintenance of Auction Records.

The Auction Agent shall afford to the Trustee and the Agency, and their respective agents, independent public accountants and counsel, upon prior reasonable notice, access at reasonable times during normal business hours to review and make extracts or copies (in all cases at the Agency's sole cost and expense) of all books, records, documents and other information concerning the conduct and results of Auctions, provided that any such agent, accountant, or counsel shall furnish the Auction Agent with a letter from the Trustee or the Agency requesting that the Auction Agent afford such Person access. The Auction Agent shall maintain records relating to any Auction for a period of at least two years after such Auction (unless requested by the Agency to maintain such records for a longer period, or for such longer period as may be required by the Auction Agent's internal policies and procedures, or applicable law or regulation, then for such longer period), and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. The Trustee agrees to keep any information regarding the customers of any Broker-Dealer received from the Auction Agent in connection with this Agreement or any Auction confidential and shall not disclose such information or permit the disclosure of such information without the prior written consent of the applicable Broker-Dealer to anyone unless required to do so by any rule or regulation except such agent, accountant or counsel engaged to audit or review the results of Auctions, or to its internal and external auditors and counsel, its regulators and examiners and any other Person if the Trustee has been advised by its counsel that it may be liable for a failure to effect such disclosure or if ordered to do so pursuant to a subpoena, civil investigative demand or similar demand by a court of competent jurisdiction or regulatory, judicial, quasi-judicial agent or authority having the authority to mandate such disclosure. Any such agent, accountant or counsel engaged to audit or review the results of Auctions, before having access to such information, shall agree to keep such information confidential and not to disclose such information or permit disclosure of such information without the prior written consent of the applicable Broker-Dealer, except as may otherwise be required by law. The Auction Agent shall not be responsible for any actions of the Trustee, the Agency, or their respective agents, accountants or counsel for passing on confidential information as a result of access to records of the Auction Agent.

2.7 Membership in the Securities Depository.

As of the date hereof, the Auction Agent is a member of, or participant in, the Securities Depository. The Auction Agent will provide the Trustee with notice at least 90 days prior to the date, if any, on which it shall resign as a member of, or participant in, the Securities Depository.

2.8 ARS Rate Conversion.

Pursuant to the Indenture, the Agency may cause the interest rate borne by the Bonds to be converted from an Auction Period Rate to an interest rate determined other than pursuant to the Auction Procedures. Assuming a successful conversion of the Bonds to an interest rate determined other than pursuant to the Auction Procedures, and assuming the Auction Agent has not received a notice of a failed conversion from the Agency, the Auction Agent shall no longer conduct Auctions with respect to the Bonds. If, however, in such case the Auction

Agent receives a notice of a failed conversion, the Auction Agent shall follow the provisions of Section 2.04(d) of the Auction Procedures. Upon the conversion of the Bonds to bear interest at an interest rate determined other than pursuant to the Auction Procedures, this Agreement shall automatically terminate; provided, however, in any case, the provisions of Section 3.4 hereof shall survive any such termination.

2.9 Notice of Conversion.

At least five days prior to a proposed Conversion Date, the Trustee shall send a copy of any notice received pursuant to Article II of the Indenture to the Securities Depository and the Auction Agent. At the expense of the Agency, the Trustee shall make available or cause to be made available to the Securities Depository such other information as the Securities Depository may reasonably require in order to effect the exchange of Bonds bearing interest at an Auction Period Rate for Bonds bearing interest at an interest rate determined other than pursuant to the Auction Procedures.

**3. *The Auction-Agent.***

3.1 Duties and Responsibilities.

(a) The Auction Agent is acting solely as a non-fiduciary agent for the Trustee hereunder and owes no duties, fiduciary or otherwise, to any other Person except as otherwise expressly provided in Section 4.5, and no implied duties, fiduciary or otherwise, shall be read into this Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or incorporated herein by reference from the Auction Procedures or a Broker-Dealer Agreement, and no implied covenants or obligations shall be read into this Agreement or the Auction Procedures against the Auction Agent.

(c) In the absence of willful misconduct or gross negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under this Agreement. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(e) The Auction Agent shall not be: (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of

any signatures or endorsements, other than its own, on any document delivered pursuant to or as contemplated by this Auction Agreement or any Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expenses or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; and (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Auction Agreement or any Broker-Dealer Agreement.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Auction Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, bond certificate or other instrument, paper or document reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting upon any communication made by telephone or other Electronic Means acceptable to the parties and authorized hereby which the Auction Agent believes in good faith to have been given by the Trustee, a Broker-Dealer, the Agency or the Securities Depository. The Auction Agent may record telephone communications with the Agency, the Trustee or with the Broker-Dealers or any one or more of them.

(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for misconduct or negligence on the part of, or for the supervision of, any agent or attorney appointed by it with due care hereunder.

(e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds to the terms of the Auction Agreement, any Broker-Dealer Agreement, the Indenture or any other document contemplated by any thereof, including, but not limited to, compliance with such laws in regards to any such transfer.

(f) Any Person into which the Auction Agent may be merged or converted or with which it may be consolidated or any Person resulting from any merger, conversion, or consolidation to which the Auction Agent shall be a party, or any Person succeeding to all or

substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

3.3 Auction Agent's Disclaimer.

Each of the Auction Agent and the Trustee makes no representation as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent or the Trustee, as the case may be, the accuracy or adequacy of this Agreement, the Broker-Dealer Agreement, the Indenture, the Bonds or the Official Statement or any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

3.4 Compensation, Expenses and Indemnification Relating to the Auction Agent.

(a) The Agency shall pay (i) the Auction Agent Acceptance Fee on the date of payment for and delivery of the Bonds, (ii) the first annual Auction Agent Fee for the Bonds on the Closing Date and annually thereafter beginning with the first anniversary of the Closing Date, and (iii) upon request of the Auction Agent, reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with this Agreement and any Broker-Dealer Agreement (including the compensation, expenses and disbursements of its agents and counsel), except any expense, disbursement or advance attributable to the gross negligence or willful misconduct of the Auction Agent. The Auction Agent Fee represents compensation for the services of the Auction Agent in conducting Auctions. The Auction Agent Fee may be adjusted from time to time with the approval of the Agency upon a written request of the Auction Agent delivered to the Agency.

(b) The Agency shall indemnify the Auction Agent, its directors, officers, agents and employees, for, and hold it and each of them harmless against any loss, liability or expense without willful misconduct or gross negligence on its part arising out of or in connection with its agency under this Agreement and the Broker-Dealer Agreements, or the transactions contemplated hereby or thereby, including the costs and expenses of defending itself, its directors, officers, agents and employees, against any claim or liability in connection with its exercise or performance of any of its duties hereunder or thereunder.

(c) This Section 3.4 shall survive the termination of this Agreement, the satisfaction and discharge of the Bonds and the earlier removal or resignation of the Auction Agent.

3.5 Compensation of the Broker-Dealers.

On each Interest Payment Date, the Auction Agent shall pay the Broker-Dealer Fee out of funds provided to it for that purpose by the Agency or the Trustee payable to each Broker-Dealer on such Interest Payment Date, as provided in Section 2.5 of the Broker-Dealer Agreements.

4. *Miscellaneous.*

4.1 Terms of Agreement.

(a) This Agreement shall terminate on the earlier of (i) the date on which the Bonds are no longer subject to the Auction Procedures and (ii) the date on which this Agreement is terminated in accordance with this Section 4.1. The Auction Agent may terminate this Agreement upon written notice to the Trustee, the Agency, MBIA Insurance Corporation (the "Bond Insurer") and the Agency on the date specified in such notice, which date shall be no earlier than 60 days after the date of delivery of such notice. Notwithstanding the foregoing, the provisions of this Agreement (except as provided in Section 4.1(b) below) shall terminate upon the delivery of certificates representing the Bonds pursuant to Section 2.08(c) of the Auction Procedures. Notwithstanding the foregoing, the Auction Agent may terminate this Agreement upon 30 days' prior written notice to the Agency, the Bond Insurer, and the Trustee if it has not received payment of any Auction Agent Fee or Auction Agent Acceptance Fee due in accordance with Section 3.4(a) hereof for more than 30 days. The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the written direction of the (i) Agency or (ii) the Holders of a majority of the aggregate principal amount of the Bonds by an instrument signed by the Trustee and filed with the Auction Agent and the Agency upon at least 90 days notice; provided that an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Agency acting in lieu of the Trustee.

(b) Except as otherwise provided in this Section 4.1(b), the respective rights and duties of the Trustee and the Auction Agent under this Agreement shall cease upon termination of this Agreement. The obligations of the Agency to the Auction Agent under Section 3.4 shall survive the termination of this Agreement. Upon termination of this Agreement, the Broker-Dealer Agreements shall automatically terminate and the Auction Agent shall (i) promptly deliver to the Agency copies of all books and records maintained by it in connection with its duties hereunder if so requested in writing, and (ii) at the request of the Trustee promptly transfer to the Trustee or any successor Auction Agent any funds deposited by the Agency with the Auction Agent pursuant to this Agreement which have not previously been distributed by the Auction Agent in accordance with this Agreement.

4.2 Agency's Obligations.

Notwithstanding anything herein to the contrary, the Agency's payment obligations hereunder are payable as additional required payments under the Indenture.

4.3 Communications.

Except for communications authorized to be made by Electronic Means pursuant to this Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party addressed to it at its address, facsimile number or email address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

| | |
|---|---|
| If to the Trustee, addressed: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: James Myers<br>Fax: (415) 273-2492<br>Telephone: (415) 273-2519<br>Email: james.myers@uboc.com |
| If to the Auction Agent, addressed: | Wells Fargo Bank, N.A.<br>45 Broadway, 14th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services<br>Fax: (212) 509-1716<br>Telephone: (212) 515-5270<br>Email: wfauctions@wellsfargo.com |
| If to the Broker-Dealer, addressed: | RBC Capital Markets, Inc.<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Robert Williams<br>Managing Director<br>Fax: (415) 445-8679<br>Telephone: (415) 445-8674<br>Email: bob.williams@rbccm.com |
| If to the Agency, addressed: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Steven Duran<br>Executive Director<br>Fax: (510) 307-8195<br>Telephone: (510) 231-3066<br>Email: steve_duran@ci.richmond.ca.us |
| If to the Bond Insurer, addressed: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: IPM – Global Public Finance Manager |

or such other address, facsimile number or email address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when actually received at the address specified herein. Communications shall be given

on behalf of the Trustee by an Authorized Trustee Representative and on behalf of the Auction Agent by an Authorized Officer.

4.4 Entire Agreement.

This Agreement contains the entire agreement between the parties and the Agency relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred between the parties hereto and the Agency relating to the subject matter hereof.

4.5 Benefits.

Nothing herein, express or implied, shall give to any Person, other than the Trustee, the Auction Agent and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim hereunder. The Agency and the Bond Insurer are intended third-party beneficiaries of the obligations of the Auction Agent hereunder, and such obligations create a duty in the Trustee and the Auction Agent to the Agency to perform such obligations, and the Agency shall have the right to enforce such duty.

4.6 Amendment; Waiver; Successors and Assigns.

(a) This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged; provided, however, that the prior written consent of an affected third party shall be obtained if the modification, amendment, rescission, cancellation or waiver would affect provisions expressly related to the affected third party.

(b) Failure of either party hereto to exercise any right or remedy hereunder in the event of a breach hereof by the other party or the Agency shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) The Auction Agent may, but shall have no obligation to, execute any amendment or waiver which, in its sole determination, affects its rights, powers, immunities or indemnities hereunder.

(d) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of each of the Trustee and the Auction Agent. This Agreement may not be assigned by either party hereto absent the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except that the Trustee may assign or transfer this Agreement to a successor trustee under the Indenture without the Auction Agent's prior written consent and the Auction Agent may assign or transfer this Agreement to a successor Auction Agent pursuant to Section 3.2(f) hereof, without the Trustee's prior written consent.

4.7 Severability.

If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

4.8 Execution in Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

4.9 Governing Law; Submission to Jurisdiction; Waiver of Trial by Jury.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute) without regard to conflict of laws principles. THE PARTIES TO THIS AGREEMENT AGREE THAT ALL ACTIONS AND PROCEEDINGS ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE BROUGHT IN A NEW YORK STATE COURT OR THE UNITED STATES DISTRICT COURT IN THE COUNTY AND STATE OF NEW YORK AND, IN CONNECTION WITH ANY SUCH ACTION OR PROCEEDING SUBMIT TO THE EXCLUSIVE JURISDICTION OF, AND VENUE IN, SUCH COURT. TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO ALSO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4.10 Duties and Responsibilities of the Trustee.

(a) The Trustee is acting hereunder solely as agent for the owners and beneficial owners of the Bonds in its capacity as the Trustee under the Indenture, and owes no duties, fiduciary or otherwise, to any other Person by reason of this Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Agreement, and in furtherance and not limitation thereof, the Trustee makes no representation or warranty as to the validity or adequacy of this Agreement, the Broker-Dealer Agreement or any other document related to the sale of the Bonds.

(b) The Trustee undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1 hereof, to be performed by it, and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties except as provided in Article VIII of the Indenture. The Trustee shall have the same rights, protections, immunities and indemnities in acting hereunder, as afforded to it in the Indenture. The Trustee shall not have any obligation to pay the fees, costs or expenses of the Auction Agent or any Broker-Dealer.

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the date first above written.

UNION BANK OF CALIFORNIA, N.A., as Trustee

By:_____
Authorized Trustee Representative

WELLS FARGO BANK, N.A., as Auction Agent

By:_____
Name: LISA D'ANGELO
Title: VICE PRESIDENT

The Agency hereby, in accordance with Section 2.1 hereof, directs the Trustee to appoint WELLS FARGO BANK, N.A. as Auction Agent pursuant to this Agreement, and requests and directs the Auction Agent to enter into a Broker-Dealer Agreement with RBC CAPITAL MARKETS, INC., as a Broker-Dealer for the Bonds. The Agency hereby makes the representations and warranties set forth in Indenture. The Agency acknowledges and agrees to its obligations hereunder, including but not limited to such obligations under Sections 3.4 and 3.5 hereof.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By: _____
Name: Steven Duran
Title: Executive Director

# EXHIBIT A

AUCTION PROCEDURES

**EXHIBIT A**

**AUCTION PROCEDURES**


ARTICLE I DEFINITIONS ..... B-1
ARTICLE II AUCTION PROCEDURES ..... B-7
Section 2.01. *Orders by Existing Owners and Potential Owners.* ..... B-7
Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.* ..... B-9
Section 2.03. *Treatment of Orders by the Auction Agent.* ..... B-11
Section 2.04. *Determination of Auction Period Rate.* ..... B-13
Section 2.05. *Allocation of Bonds.* ..... B-14
Section 2.06. *Notice of Auction Period Rate.* ..... B-16
Section 2.07. *Index.* ..... B-17
Section 2.08. *Miscellaneous Provisions Regarding Auctions.* ..... B-18
Section 2.09. *Changes in Auction Period or Auction Date.* ..... B-19

## AUCTION PROCEDURES

*Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.*

### ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any 2007 Series A Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) When Auctions Occur on this day | (B) Auction Period Generally Begins this day | (C) Auction Periods Generally End this day |
|---|---|---|
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a

daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

"Auction Rate" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

"Authorized Denominations" means with respect to the 2007 Series A Bonds in any ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Available Bonds" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-

Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Deadline" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"Clerical Error" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Electronic Means" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"Hold Order" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"Index" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit B.

"Securities Depository" means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Submission Deadline" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified

from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Sufficient Clearing Bids" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"Winning Bid Rate" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be

agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on

which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of

Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. *Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on

whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed

amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT A

Definitions

"Agency" means the Richmond Community Redevelopment Agency.

"All Hold Rate" means, as of any Auction Date, 85% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 85% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"ARB Interest Payment Date" includes the first ARB Interest Payment Date which shall be August 30, 2007, for the 2007 Series A Bonds.

"ARB Maximum Rate" means twelve percent (12%) per annum.

"Auction Agent" shall initially be Wells Fargo Bank, N.A.

"Auction Date" shall include as part of the definition the first Auction Date which shall be August 16, 2007 for the 2007 Series A Bonds.

"Auction Period" shall include in the *Six-month Auction Period* either February 28 or October 31.

"Broker-Dealer" selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

"Index" means, on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax. If such rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" means the period from the Closing Date to but not including August 16, 2007 with respect to the 2007 Series A Bonds.

Auction Procedures

*Determination of Auction Period Rate.* The percentage of the Index in Section 2.04(c) is 85% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for

# EXHIBIT B

FORM OF BROKER-DEALER AGREEMENT

## FORM OF BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated July 12, 2007, among (i) WELLS FARGO BANK, N.A. (the "Auction Agent"), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, pursuant to authority granted to the Auction Agent in the Auction Agreement, dated as of July 1, 2007 (the "Auction Agreement"), between Union Bank of California, N.A. (the "Trustee") and the Auction Agent; (ii) RBC CAPITAL MARKETS, INC. (a "BD"); and (iii) RICHMOND COMMUNITY REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (the "Agency").

WITNESSETH

WHEREAS, the Agency is issuing $65,400,000 aggregate principal amount of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A (the "Bonds"), maturing on September 1, 2036, pursuant to the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007 (together, the "Indenture"), between the Agency and the Trustee; and

WHEREAS, the interest rate on the Bonds will initially be set in accordance with the Auction Procedures; and

WHEREAS, Wells Fargo Bank, N.A. has been appointed as Auction Agent for purposes of the Auction Agreement, and pursuant to Section 2.1 of the Auction Agreement, the Agency has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, the BD and the Agency agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION.

1.1 *Terms Defined by Reference to the Auction Procedures.* Capitalized terms used herein shall have the respective meanings specified in the Auction Procedures,

1.2 *Additional Terms Defined Herein.* As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Procedures" shall mean the procedures for conducting Auctions for the Bonds during an ARS Rate Period as set forth in Exhibit A hereto.

(b) "Authorized Officers" shall mean each Senior Vice President, Vice President, Assistant Vice President and authorized representative of the Auction Agent assigned to the Auction

Agent Services Group of its Corporate Trust Services Department and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(c) "BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

(d) "Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement, including Exhibit A hereto, and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

(e) "Broker-Dealer Fee" shall have the meaning set forth in Section 2.5(b) hereof.

(f) "Order Form" shall mean the form by which Orders are to be submitted by any Broker-Dealer on any Auction Date which shall be in a form acceptable to the Auction Agent and may be by Electronic Means or in writing.

1.3 *Rules of Construction.* Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Broker-Dealer Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section or subsection.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

(f) Any reference herein to Bonds shall be deemed to be a reference to each Series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each Series of Bonds.

SECTION 2. THE AUCTION.

2.1 *Incorporation by Reference of Auction Procedures.*

(a) The parties to this Broker-Dealer Agreement agree to comply with the Auction Procedures. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto. In addition if this Broker-Dealer Agreement takes effect following an ARS Conversion Date, BD agrees to set the Initial Rate at the lowest rate which will enable the Bonds to be resold on the ARS Conversion Date at par plus accrued interest, if any.

(b) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer"

contained in the Auction Procedures may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions.

(c) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Agency may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Agency it may not submit Bids to purchase Bonds in Auctions for its own account, but may submit Hold Orders and Sell Orders in Auctions with respect to Bonds otherwise acquired for its own account. The Auction Agent shall be under no duty or liability with respect to monitoring compliance with this Section 2.1(c).

2.2 *Preparation for Each Auction.*

(a) Not later than 3:00 P.M. on the Business Day preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of the Bonds, as of the opening of business on such day by delivering a notice to BD by Electronic Means or other communication acceptable to the parties.

(b) In the event the Auction Date for any Auction shall be changed pursuant to Section 2.09(c) of the Auction Procedures after the Auction Agent has given notice of such Auction Date pursuant to Section 2.06 of the Auction Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall promptly give notice of such change to BD. Thereafter, BD shall use its best efforts to promptly notify its customers who are Existing Owners and Potential Owners of which it is aware of such change in the Auction Date.

2.3 *Securities Depository Participant Numbers.*

The Auction Agent may, but shall have no duty to, request, from time to time, BD to provide it with a list of the number of Units and affiliated Securities Depository participant numbers for customers BD believes are Existing Owners. BD shall comply with any such request, and the Auction Agent shall keep confidential any such information, including information received as to the identity of Bidders in any Auction, and shall not disclose any such information so provided to any person other than the Trustee and the Agency, provided that the Auction Agent reserves the right, and is authorized, to disclose any such information if (i) it is ordered to do so by a court or regulatory, judicial or quasi-judicial agency or authority, (ii) it is advised by its counsel that its failure to do so would be unlawful or (iii) failure to do so would impose upon it any actual or potential loss, claim, damage, liability, or expense for which it has not received indemnity satisfactory to it.

2.4 *Transfers.*

BD shall deliver to the Auction Agent a notice, in a form reasonably acceptable to the Auction Agent, of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction. The Auction Agent is not required to accept any notice delivered pursuant to the terms of the foregoing sentence with respect to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the applicable Auction Date.

Notwithstanding the provisions of Section 2.6(a) hereof, any delivery or non-delivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of this Section 2.4.

2.5 *Compensation.*

(a) The initial Broker-Dealer Fee rate shall equal .25 of 1% per annum. The Broker-Dealer Fee for the Bonds shall be paid by the Auction Agent solely from moneys received from the Agency or the Trustee pursuant to this Section 2.5 or Section 3.5 of the Auction Agreement and represents compensation for the services of the BD in facilitating Auctions for the benefit of the beneficial owners of the Bonds. The Broker-Dealer Fee rate may be adjusted from time to time with the approval of the Agency upon a written request of the Broker-Dealers delivered to the Agency.

(b) While the Bonds are in an Auction Period other than a daily Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount equal to the product of (x) .25 of 1% multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is more than 180 days, the number of days in the Auction Period next succeeding such Auction Date calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360.

If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) .25 of 1% multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360.

The Broker-Dealer Fee (the "Broker-Dealer Fee") shall be calculated as set forth in this Section 2.5 by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Agency and the Trustee by 4:00 P.M., New York City time, on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Agency shall pay to the Trustee the Broker-Dealer Fee. By noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer and, immediately upon receipt of such fee, the Auction Agent shall deliver such fee to the Broker-Dealer pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

2.6 *Settlement.*

(a) If any Existing Owner on whose behalf BD has submitted a Bid or Sell Order that was accepted in whole or in part fails to instruct its Participant to deliver the Bonds subject to such Bid or Sell Order against payment therefor, BD shall instruct such Participant to deliver such Bonds against payment therefor and BD may deliver to the Potential Owner on whose behalf BD submitted a Bid that was accepted in whole or in part a principal amount of the Bonds that is less than the principal amount of the Bonds specified in such Bid to be purchased by such Potential Owner.

(b) The Auction Agent, the Trustee, and the Agency shall have no responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Participant to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

(c) The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6.

SECTION 3. THE AUCTION AGENT.

3.1 *Duties and Responsibilities of the Auction Agent.*

(a) The Auction Agent is acting solely as non-fiduciary agent for the Trustee and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in the Broker-Dealer Agreement or expressly incorporated herein by reference pursuant to Section 2.1(a) hereof and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of willful misconduct or gross negligence on its part, as determined by a court of competent jurisdiction, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment, as determined by a court of competent jurisdiction.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation: acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; or acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(e) The Auction Agent shall not be (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, except with respect to itself, on any document delivered pursuant to or as contemplated by this Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; or (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement or the Auction Agreement except with respect to its own individuals executing or delivering this Broker-Dealer Agreement or the Auction Agreement.

3.2 *Rights of the Auction Agent.*

(a) The Auction Agent may conclusively rely on and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, form or bond certificate or other instrument, paper, document or communication reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting, or refraining from action, upon any communication made by telephone, Electronic Means or other means acceptable to the parties and authorized hereby which the Auction Agent believes in good faith (or has no reason not to believe) to have been given by the particular party or parties. The Auction Agent may record telephone communications with the Trustee, the Agency or BD.

(b)The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties or exercise of its rights hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation to monitor, or liability in respect of, the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under any federal or state securities laws or in respect of any transfer of the Bonds (or any beneficial ownership interest therein) pursuant to the terms of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, any other document contemplated by any thereof, or otherwise, including, but not limited to, compliance with any such laws in regards to any such registration, exemption or transfer.

(f) (i) Any corporation or other entity into which the Auction Agent may be merged or converted or with which it may be consolidated, (ii) any corporation or other entity resulting from any merger, conversion or consolidation to which the Auction Agent may be a party or (iii) any corporation or other entity succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything hereunder to the contrary notwithstanding.

3.3 *Auction Agent's Disclaimer.*

The Auction Agent makes no representations as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent, the accuracy or adequacy of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, the Bonds or the Official Statement, as hereinafter defined, or any other offering material used in connection with the offer and sale of the Bonds or any other

agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION.

4.1 *Furnishing of Information.*

The Agency agrees to furnish, or cause to be furnished, BD with as many copies as BD may reasonably request, of the official statement relating to the Bonds (the "Official Statement") as the same may be supplemented or amended from time to time, and such other information with respect to the Agency and its properties, the Indenture, and the Bonds as BD shall reasonably request from time to time.

4.2 *Supplements and Amendments to Official Statement.*

If at any time during the term of this Broker-Dealer Agreement any event or condition known to the Agency relating to or affecting the Agency or its properties, the Bonds, the Indenture, or the documents or transactions contemplated thereby, shall occur which, in the reasonable judgment of the Agency or the Broker-Dealer, might affect the accuracy, correctness or completeness of any statement of a material fact contained in the Official Statement, as it shall have been supplemented or amended from time to time pursuant to this Section or included in any report or notice filed by the Agency (each, a "Disclosure Statement") pursuant to the undertaking entered into by the Agency pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Continuing Disclosure Undertaking") which in the reasonable judgment of the Agency or BD might result in the Official Statement, as so supplemented or amended, containing any untrue, incorrect or misleading statement of material fact or omitting to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading, then:

(a) the Agency (as to events or conditions relating to itself and otherwise of which it becomes aware) shall promptly notify BD of the circumstances and details of such event;

(b) if, in the opinion of BD, such event or condition requires the preparation and publication of an amendment or supplement to the Official Statement, the Agency at its expense shall promptly prepare or cause to be prepared an appropriate amendment or supplement thereto, in a form and manner approved by BD, so that the statements in the Official Statement, as so amended or supplemented, will not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and

(c) the Agency shall take all necessary action to approve such supplement or amendment.

4.3 *Additional Information.*

Without limiting the foregoing, the Agency shall notify BD of:

(a) proposed adverse determination letter from the Internal Revenue Service with respect to the federal income tax treatment of the Bonds, of which the Agency shall have knowledge;

(b) any replacement of the Trustee under the Indenture;

(c) Any Event of Default under the Indenture provided such Event of Default relates to the Agency, or any other default which, with notice or lapse of time or both, would constitute such an Event of Default;

(d) the publication of notice of redemption or purchase of the Bonds, together with a copy of such notice (which notice shall be provided to BD no later than the date of publication of such notice); and

(e) the occurrence of any of the following events with respect to the Bonds; (i) principal and interest payment delinquencies; (ii) non payment related defaults; (iii) unscheduled draws on debt service reserves; (iv) unscheduled draws on credit enhancements; (v) substitution of credit provider or liquidity provider, or their failure to perform; (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the securities; (xi) rating changes (including any announcement that any of the Bonds or the Agency has been put on credit watch); and (xii) failure of the Agency to provide "annual financial information" in accordance with Rule 15c2-12(b)(5)(i)(D) under the Securities Exchange Act.

4.4 *Indemnification and Contribution;*

(a) To the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Agency agrees to indemnify and hold harmless BD and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "1933 Act")) BD against any and all losses, claims, damages, expenses, and liabilities whatsoever arising out of any violation of this Broker-Dealer Agreement by the Agency, including any untrue statement or alleged untrue statement in the Official Statement and the Disclosure Statement of a material fact or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, including without limitation the reasonable costs and expenses (including fees and expenses of counsel) of investigating, preparing for or defending itself, if such settlement is effected with the written consent of the Agency. In each case the indemnification for any such settlement or expense

shall be made promptly by the Agency as the costs of such settlement or expenses are incurred by BD. In case any claim should be made or action brought against any of BD or any controlling person (as aforesaid) based upon a violation of this Broker-Dealer Agreement by the Agency, in respect of which indemnity may be sought against the Agency, BD or such controlling person shall, as a condition to its right to indemnification hereunder, promptly notify the Agency in writing setting forth the particulars of such claim or action and the Agency shall assume the defense thereof, including the retaining of counsel and the payment of all expenses. BD or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at BD's expense or the expense of such controlling person unless the retaining of such counsel has been specifically authorized in writing by the Agency or counsel retained by the Agency has advised BD that the representation of the two parties would constitute a conflict.

(b) If for any reason indemnification is unavailable to BD or insufficient to hold BD harmless in connection with this Broker-Dealer Agreement, then the Agency shall contribute to the amount paid or payable by BD as a result of any loss, claim, damage or liability or action in respect thereof (including such legal or other expenses) in such proportion as is appropriate to reflect the relative benefits received by the Agency on the one hand and BD on the other hand from the sale of the Bonds (as described in the next sentence) or, if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Agency on the one hand and BD on the other as well as any other relevant equitable considerations. For this purpose the relative benefits received by Agency on the one hand and BD on the other shall be deemed to be in the same proportion as the principal amount of the Bonds sold bears to one year's compensation, at the rate applicable at the time of such loss, claim, damage or liability or action, received by BD pursuant to Section 2.5 above. The Agency agrees with BD that it would not be just and equitable if contribution pursuant to this provision were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. The reimbursement, indemnity and contribution obligations of the Agency under this subsection shall be in addition to any liability which the Agency may otherwise have, shall extend upon the same terms and conditions to the officers, members, partners, employees an controlling persons (if any) of BD and shall be binding upon and inure to the benefit of any successors and assigns of the Agency and BD.

SECTION 5. MISCELLANEOUS.

5.1 *Termination.* BD may resign at any time, upon five Business Days' notice to the Auction Agent, with a copy of such notice to MBIA Insurance Corporation (the "Bond Insurer"); provided, however, that BD may resign immediately if it determines, in its reasonable judgment, that for any reason, including, without limitation, (a) a pending or proposed change in applicable tax laws, (b) a material adverse change in the financial condition of the Agency, (c) hostilities involving the United States, (d) a down-rating of the Bonds, or (e) an imposition of material restrictions on the Bonds or similar obligations, it is not advisable to attempt to Auction the Bonds. The Auction Agent upon the written direction of the Agency may terminate this Broker-Dealer Agreement at any time on five Business Days' notice to the other parties hereto;

and provided that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement.

5.2 *Participant.* BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Agency and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

5.3 *Communications.* Except for communications authorized to be made by Electronic Means or other communication acceptable to the parties pursuant to this Broker-Dealer Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party, addressed to it, at its address, facsimile number or e-mail address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

| | |
|---|---|
| If to the Broker-Dealer, addressed: | RBC Capital Markets, Inc.<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Robert Williams<br>Managing Director<br>Fax: (415) 445-8679<br>Telephone: (415) 445-8674<br>Email: bob.williams@rbccm.com |
| If to the Auction Agent, addressed: | Wells Fargo Bank, N.A.<br>45 Broadway, 14th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services<br>Fax: (212) 509-1716<br>Telephone: (212) 515-5270<br>Email: wfauctions@wellsfargo.com |
| If to the Agency, addressed: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Steven Duran<br>Executive Director<br>Fax: (510) 307-8195<br>Telephone: (510) 231-3066<br>Email: steve_duran@ci.richmond.ca.us |

If to the Bond Insurer, addressed: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: IPM – Global Public Finance Manager

or such other address, telephone, facsimile number or e-mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

5.4 *Recording of Conversations.* BD may record telephone communications with the Agency, the Trustee, or the Auction Agent, or all of them.

5.5 *Entire Agreement.* This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the issuance of the Bonds, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof

5.6 *Benefits; Successors and Assigns.* This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of BD, the Auction Agent and the Agency. Except as provided in Section 3.2(f) hereof, this Broker-Dealer Agreement may not be assigned by any party hereto absent the prior written consent of the other parties; provided, however, that: (a) the Broker-Dealer Agreement may be assigned by the Auction Agent to a successor Auction Agent selected by the Agency without the consent of BD and BD may assign its rights and obligations hereunder to an affiliate of BD or to an entity succeeding to the business of BD. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any person, other than the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Agency herein.

5.7 *Amendment; Waiver.*

(a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) Notwithstanding anything herein to the contrary, the Auction Agent may, but shall have no obligation to execute any amendment or waiver which affects its rights, powers, immunities or indemnities hereunder.

5.8 *Severability.* If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.9 *Execution in Counterparts.* This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

5.10 *Governing Law; Jurisdiction; Waiver of Trial by Jury.*

(a) This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State, without giving effect to principles of choice of law or conflicts of law thereof.

(b) The parties agree that all actions and proceedings arising out of this Broker-Dealer Agreement or any of the transactions contemplated hereby shall be brought in the County of New York and, in connection with any such action or proceeding, submit to the jurisdiction of, and venue in, such County.

(c) Each party to this Broker-Dealer Agreement hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Broker-Dealer Agreement in any court referred to in Section 5.10(b) hereof. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Broker-Dealer Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.3 hereof. Nothing in this Broker-Dealer Agreement will affect the right of any party to this Broker-Dealer Agreement to serve process in any other manner permitted by law.

(e) EACH PARTY TO THIS BROKER-DEALER AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THIS BROKER-DEALER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE). EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS BROKER-DEALER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

5.11 *No Implied Duties.*

Nothing contained in this Broker-Dealer Agreement, the Auction Procedures or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Agency not otherwise expressly set forth herein or therein.

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

WELLS FARGO BANK, N.A.,
as Auction Agent

By: _____
Name:_____
Title: _____

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC CAPITAL MARKETS,
as Broker-Dealer

By:_____
Name: Robert Williams
Title: Managing Director

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By_____
Name: Steven Duran
Title: Executive Director

**EXHIBIT C**

LIST OF INITIAL BROKER-DEALERS

RBC Capital Markets, Inc.

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) 2007 SERIES A**

## CERTIFICATE OF AUCTION AGENT

Wells Fargo Bank, N.A. ("Wells Fargo Bank") hereby states and certifies:

(a) that the undersigned is an authorized officer of Wells Fargo Bank and, as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that Wells Fargo Bank is acting as auction agent (the "Auction Agent") under that certain Auction Agent Agreement, dated as of July 1, 2007 ("Auction Agent Agreement"), by and between Union Bank of California, N.A., as trustee (the "Trustee") and Wells Fargo Bank, N.A. and under the Broker-Dealer Agreement, dated as of July 1, 2007, among Wells Fargo Bank, RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets and the Richmond Community Redevelopment Agency (the "Agency") (the "Broker-Dealer Agreement");

(c) that Wells Fargo Bank is a duly organized and existing national banking association in good standing under the laws of the United States of America, with a capitalization of at least $15,000,000 and having the full power and being qualified to enter into and perform its duties under the Auction Agent Agreement and the Broker-Dealer Agreement and as described in the Indenture; and

(d) that Wells Fargo Bank is duly authorized to enter into the Auction Agreement and the Broker-Dealer Agreement, and such documents have been duly executed and delivered by Wells Fargo Bank and constitute valid and binding agreements of Wells Fargo Bank in accordance with their respective terms, subject to applicable bankruptcy, insolvency and creditors' rights laws.

Capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreement relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A, dated as of July 10, 2007, by and among RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as Underwriter, the Agency and the Richmond Joint Powers Financing Authority.

Dated: July 12, 2007

**WELLS FARGO BANK, N.A., as Auction Agent**

By: _____
Authorized Officer

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF THE CITY OF RICHMOND

The undersigned, James C. Goins, hereby states and certifies:

1. that I am the duly appointed, qualified and acting Finance Director of the City of Richmond, California (the "City"); and

2. that the information relating to the City contained in the Official Statement relating to the above-named bonds, dated as of June 28, 2007, set forth in APPENDIX A–"ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND," as of its date and as of the date hereof, is true and correct in all material respects

July 12, 2007.

CITY OF RICHMOND

By _____
James C. Goins
Finance Director

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF FISCAL CONSULTANT

The undersigned, Fraser & Associates, fiscal consultant (the "Fiscal Consultant"), to the Richmond Community Redevelopment Agency (the Agency"), hereby states and certifies that the Fiscal Consultant Report, dated May, 2007 (the "Report"), contained in the Official Statement relating to the Agency's $65,400,000 Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A and the $9,772,621.50 Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (together, the "Bonds"), does not contain any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, and consenting to the use of the Report in the Preliminary and Final Official Statement.

Capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements relating to the Bonds, dated as of June 28, 2007 and July 10, 2007, respectively, by and among RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as Underwriter, the Agency and the Richmond Joint Powers Financing Authority.

Dated: July 12, 2007.

FRASER & ASSOCIATES

By _____
Name: Donald J. Fraser
Title: President

# CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 1, 2007, is executed and delivered by the Richmond Community Redevelopment Agency (the "Agency"), Union Bank of California, N.A., as trustee (the "Trustee") and MuniFinancial, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Agency of its $65,400,000 aggregate principal amount of Subordinate Tax Allocation Bonds (Merged Project Areas), Series 2007A (the "Series 2007A Bonds") and its $9,772,621.50 aggregate principal amount of Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable), Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds"). The Bonds are being issued pursuant to the Resolution of the Agency, adopted June 5, 2007, and pursuant to an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture") between the Agency and the Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture") between the Agency and the Trustee (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures"). The Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency, the Dissemination Agent and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indentures, between the Agency and the Authority, described in the Official Statement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean with respect to the Agency, the Chief Executive Officer of the Agency or the Redevelopment Agency Director or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" means MuniFinancial, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the Agency, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month. or fifty-two week period hereafter selected by the Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at www.sec.gov/consumer/nrmsir.htm

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

"Underwriter" means the original underwriter of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's Fiscal Year (presently June 30), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the basic financial statements of the Agency may be submitted from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date. If the Fiscal Year changes for the Agency, the Agency shall give notice of such change in the same manner as for a Listed Event under Section 5(f) hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Agency shall provide its Annual Report to the Dissemination Agency and Trustee. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the Agency, the Dissemination Agent shall notify the Agency of such failure to receive the report. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address. of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Authority or the Agency, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or

calendar year, as applicable (the tables referred to below are those appearing in the Official Statement dated June __, 2007, relating to the Bonds):

(a) Basic financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's basic financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the basic financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Annual Debt Service Requirements, but only in the event of any unscheduled redemption, defeasance or new issue;

2. Table 2 - Historical Taxable Values and Tax Increment Revenues – Merged Project Area;

3. Table 3 - Ten Major Property Tax Assessees – Merged Project Area;

4. Table 4 and Table 5 - Projection of Incremental Tax Revenue – Merged Project Area; and

5. Table 6, Table 7, Table 8 and Table 9 – Projected Debt Service Coverage.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the security;

7. Modifications to rights of security holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds;

11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee shall contact the Authority and the Agency at their notice addresses in the Indenture, inform them of the event, and request that the Agency or the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency or the Authority shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material, the Agency shall notify the Dissemination Agent promptly in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event; and

(g) The Dissemination Agent may rely conclusively on an opinion of counsel that the Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final

maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty (30) days written notice to the Agency and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have not duty to prepare any information report nor shall the Dissemination Agent by responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Agency which does not impose any greater duties nor any greater risk of liability on the Trustee or Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in

the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Agency agrees to indemnify and hold harmless the Dissemination Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which any of them may incur arising out of or in the exercise of performance of their respective powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with an agreed upon schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall both be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party under this Disclosure Agreement. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper on any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee not the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

Section 13. California Law. This Disclosure Agreement shall be constructed and governed in accordance with the laws of the State of California.

Section 14. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

| | |
|---|---|
| To the Agency: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director<br>Fax: (510) 231-3047<br><br>(with copies to the City Attorney) |
| To the Trustee: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department<br>Fax: (510) 273-2492 |
| To the Dissemination Agent: | MuniFinancial<br>27368 Via Industria, Suite 110<br>Temecula, CA 92590<br>Attention: Manager<br>Fax: (951) 587-3510 |

The Trustee, the Dissemination Agent and the Agency may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee, the Dissemination Agent or the Agency may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Executive Director

UNION BANK OF CALIFORNIA, N.A.

By:_____
Authorized Officer

MUNIFINANCIAL

By:_____
Authorized Officer

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Executive Director

UNION BANK OF CALIFORNIA, N.A.

By:_____
Authorized Officer

MUNIFINANCIAL

By:_____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | Richmond Community Redevelopment Agency |
| Name of Bond Issue: | Richmond Community Redevelopment Agency<br>Subordinate Tax Allocation Bonds (Merged Project Areas),<br>Series 2007A<br>and<br>Richmond Community Redevelopment Agency<br>Housing Set-Aside Subordinate Tax Allocation Bonds<br>(Merged Project Areas) (Taxable), Series 2007B |
| Date of Issuance: | _____, 2007 |

NOTICE IS HEREBY GIVEN that the Richmond Community Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of July 1, 2007 executed by the Agency for the benefit of the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated:

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Its:_____

cc: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, California 94104

MuniFinancial
27368 Via Industria, Suite 110
Temecula, CA

# The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer and Co-issuer(s), if applicable]

Richmond Community Redevelopment Agency

[Name of Issuer and Co-issuer(s), if applicable]

June 29, 2007

[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 25th Floor]
[For Corporate Issues:
General Counsel's Office; 22nd Floor]
**The Depository Trust Company**
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

DTCC.

*The Depository Trust & Clearing Corporation*

Very truly yours,

Richmond Community Redevelopment Agency
(Issuer)

By: _____
(Authorized Officer's Signature)

Steven Duran
(Print Name)

1401 Marina Way South
(Street Address)

Richmond, CA USA 94804
(City) (State) (Country) (Zip Code)

( 510 ) 231-3066
(Phone Number)

steven_duran@ci.richmond.ca.us
(E-mail Address)

[3/05]

**(To Blanket Issuer Letter of Representations)**

## SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

**(Prepared by DTC—bracketed material may be applicable only to certain issues)**

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue,and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner")is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

# REPORT OF FINAL SALE

**California Debt and Investment Advisory Commission**
**915 Capitol Mall, Room 400, Sacramento, CA 95814**
**P.O. Box 942809, Sacramento, CA 94209-0001**
***Tel.: (916) 653-3269 FAX: (916) 654-7440***

**For Office Use Only**

RCVD JUL 16 '07

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

**CDIAC NO #:** 2007-0773

**ISSUER NAME:** Richmond Community Redevelopment Agency

(If pool bond, list participants)

**ISSUE NAME:** Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A

**IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?**

☐ **1) Marks-Roos Local Bond Pooling Act** ☐ **2) JPA Law** ☐ **3) Installment Sales Agreement, Lease** ☐ **4) Housing Revenue Bond Law & Industrial Development Bond Law** ☐ **5) Other** _____

**WILL A VALIDATION ACTION BE PURSUED?** ☒ No ☐ Yes ☐ Unknown

**ACTUAL SALE DATE:** July 11, 2007 **PRINCIPAL SOLD:** $65,400,000

**IS ANY PORTION OF THE DEBT FOR REFUNDING?**[1]

☒ No ☐ Yes, refunding amount (including costs) $_____

**Issuer Contact:**

Name: Steve Duran

Title: Executive Director, Richmond Community Redevelopment Agency

Address: Richmond City Hall, 1401 Marina Way South, Richmond, CA 94804-3746

Phone: (510) 231-3066 **ISSUER LOCATED IN** Contra Costa **COUNTY**

**Filing Contact::** Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Patricia E. Wyler, Project Manager, Public Finance for Eugene Clark-Herrera, Esq.

Firm/Agency: Orrick, Herrington & Sutcliffe LLP

Address: The Orrick Building, 405 Howard Street, San Francisco, CA 94105-2669

Phone: (415) 773-5912 **E-mail:** pwyler@orrick.com

Send acknowledgement/copies to: Patricia E. Wyler

**Name of individual to whom an invoice for the CDIAC issue fee should be sent:**[2]

Name: Robert Williams, Managing Director

Firm: RBC Capital Markets

Address: 345 California Street, San Francisco, CA 94104

Phone: (415) 445-8674

---

[1] *Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

[2] *This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.*

**FINANCING PARTICIPANTS** (Firm Name)

FINANCIAL ADVISOR: Tamalpais Advisors, Inc.

LEAD UNDERWRITER/PURCHASER: RBC Capital Markets

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP

TRUSTEE/PAYING AGENT: Union Bank of California, N.A.

**OFFICE LOCATION** (City/State)

Sausalito, CA

San Francisco, CA

San Francisco, CA

San Francisco, Ca

**MATURITY SCHEDULE**

☐ Attached ☒ Included in Official Statement

**MATURITY STRUCTURE**

☐ Serial (S) ☒ Term (T)

☐ Serial and term bonds or two or more term (B)

**FINAL MATURITY DATE:** 9-1-2036

**FIRST OPTIONAL CALL DATE:** 8-30-07

**SENIOR/SUBORDINATE STRUCTURE** ☒ Yes ☐ No

**OFFICIAL STATEMENT/OFFERING MEMORANDUM:**
☒ **Enclosed** ☐ **None prepared**

**WAS THE ISSUE INSURED OR GUARANTEED?**
☐ No
☒ Bond Insurance (I)
☐ Letter of Credit (L)
☐ State Intercept Program (T)
☐ Other (O)

**GUARANTOR:** MBIA Insurance Corporation

**ENHANCEMENT EXPIRATION DATE:** 9-1-2036

**INDICATE CREDIT RATING:**

(For example, "AAA" or "Aaa")
☐ Not Rated
☒ Rated
Standard & Poor's: AAA
Fitch: _____
Moody's: _____
Other: _____

**REASON FOR NEGOTIATED REFUNDINGS**

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

☐ (1) Timing of the sale provided more flexibility than a public sale
☐ (2) More cost savings were expected to be realized than a public sale
☐ (3) More flexibility in debt structure was available than a public sale
☐ (4) Issuer able to work with participants familiar with issue/r than a public sale
☐ (5) All of the above
☐ (6) Other (please specify) _____

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☒ No (tax-exempt) ☐ Yes (taxable)
Under Federal Law: ☒ No (tax-exempt) ☐ Yes (taxable)
If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☒ No

**INTEREST TYPE:** ☐ NIC ☐ TIC ☒ Variable

**INTEREST COST:** VR%

**CAPITAL APPRECIATION BOND:** ☐ Yes ☒ No

**ISSUANCE COSTS AND FEES:**

| | |
|---|---|
| A) Management Fee | $Contact Underwriter |
| B) Total Takedown | $Contact Underwriter |
| C) Underwriter Expenses | $Contact Underwriter |
| **Underwriter Spread or Discount** | $490,500 |
| D) Bond Counsel | $320,000 |
| E) Disclosure Counsel | $Contact Underwriter |
| F) Financial Advisor | $52,200 |
| G) Rating Agency | $24,800 |
| H) Credit Enhancement | $560,000 |
| I) Trustee Fee | $3,680 |
| J) Other Expenses | $9,012 |
| **Total Issuance Costs** | $495,000 |
| K) ORIGINAL ISSUE PREMIUM | $0 |
| L) ORIGINAL ISSUE DISCOUNT | $0 |
| M) NET ORIGINAL ISSUE DISCOUNT/PREMIUM | $0 |

FOR OFFICE USE ONLY

FEE: $_____

STATE OF CALIFORNIA

Bill Lockyer
State Treasurer and Chair

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**
915 CAPITOL MALL, ROOM 400
P.O. BOX 942809
SACRAMENTO, CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

June 5, 2007

**TO:** Patricia Wyler
Orrick Herrington & Sutcliffe
The Orrick Bldg
405 Howard St
San Francisco, CA 94105-2669

**FROM:** John Decker, Executive Director

**RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE**

Section 8855(k) of the California Government Code requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

| | |
|---|---|
| **CDIAC Nbr:** | 2007-0773 |
| **Issuer:** | Richmond Community Development Agency |
| **Project:** | Merged Area Sub Series A |
| **Proposed Amount:** | $70,000.00 |
| **Proposed Sale Date:** | June 26, 2007 |
| **Date Notice Received:** | May 31, 2007 |

Issuers may electronically file the ***Report of Final Sale*** through CDIAC's website, using the following information:

| | |
|---|---|
| CDIAC Nbr: | 2007-0773 |
| Password: | 25006690 |

A *CDIAC Number* and *Password* will be provided for each electronic filing of the ***Report of Proposed Debt Issuance***. This information is unique to this filing and must be used for any subsequent reporting under this *CDIAC Number*.

Please submit the ***Report of Final Sale*** and the Official Statement(or Offering Memorandum) on this issue within 45 days of the signing of the bond purchase contract or the acceptance of a bid to purchase the debt, to www.treasurer.ca.gov/cdiac/reporting.htm under the heading "Reporting Forms". Official Statements or Offering Memorandums can be sent by e-mail to CDIAC_issuance@treasurer.ca.gov.

Any questions regarding reporting requirements may be directed to the CDIAC's Data Unit at (916) 653-3269.

Cc: James Goins
Finance Director

# REPORT OF PROPOSED DEBT ISSUANCE

**California Debt and Investment Advisory Commission**
**915 Capitol Mall, Room 400, Sacramento, CA 95814**
**P.O. Box 942809, Sacramento, CA 94209-0001**
**Tel.: (916) 653-3269 FAX: (916) 654-7440**

COPY

**For Office Use Only**

**CDIAC NO.: _____**

RCVD MAY 31 '07

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.[1]

**ISSUER NAME:** Richmond Community Development Agency

**ISSUE NAME:** Richmond Community Development Agency Subordinate Tax Allocation Bonds, Series 2007A

Please specify type/name of project: Merged Project Area

**PROPOSED SALE DATE:** 6-26-07 **PRINCIPAL TO BE SOLD:** $70,000

**IS ANY PORTION OF THE DEBT FOR REFUNDING?[2]**

☒ No ☐ Yes, proposed amount for refunding $_____

**Issuer Contact:**

Name: James C. Goins

Title: Finance Director

Address: City of Richmond, Richmond City Hall, 1401 Marina Way South, Richmond, CA 94804

Phone: (510) 620-6946 Issuer Located In Contra Costa County

**Filing Contact:** Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Patricia E. Wyler, Project Manager, Public Finance for Eugene Clark-Herrera, Esq.

Firm/Agency: Orrick, Herrington & Sutcliffe LLP

Address: The Orrick Building, 405 Howard Street, San Francisco, CA 94105-2669

Phone: (415) 773-5912 E-mail: pwyler@orrick.com

Send acknowledgement/copies to: Patricia E. Wyler

**FINANCING PARTICIPANTS:**

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP

FINANCIAL ADVISOR: Tamalpais Advisors, Inc.

UNDERWRITER\PURCHASER: RBC Capital Markets, Inc.

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State law: ☒ NO (tax-exempt) ☐ YES (taxable)

Under Federal law: ☒ NO (tax-exempt) ☐ YES (taxable)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ Yes, preference item ☒ No, not a preference item

**TYPE OF SALE:** ☐ **Competitive** ☒ **Negotiated**

---

*1 Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."*

*2 Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

**TYPE OF DEBT INSTRUMENT**

**NOTE**

- ☐ Bond anticipation (BAN)
- ☐ Grant obligation (GAN)
- ☐ Other note (Please specify below.) (OTHN)
- ☐ Revenue anticipation (RAN)
- ☐ Tax allocation (TALN)
- ☐ Tax and revenue anticipation (TRAN)
- ☐ Tax anticipation (TAN)

- ☐ Commercial paper (CP)
- ☐ Certificates of participation/leases (COPL)
- ☐ Other (Please specify below.) (OTH)

**BOND**

- ☐ Conduit revenue (Private obligor) (CRB)
- ☐ General obligation (GOB)
- ☐ Limited tax obligation (LTOB)
- ☐ Other bond (Please specify below.) (OTHB)
- ☐ Public lease revenue (PLRB)
- ☐ Revenue (Pool) (RB)
- ☐ Revenue (Public enterprise) (PERB)
- ☐ Sales tax revenue (STRB)
- ☐ Special assessment (SAB)
- ☒ Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked: _____

**SOURCE(S) OF REPAYMENT**

- ☐ Bond proceeds (BDPR)
- ☐ General fund of issuing jurisdiction (GNFD)
- ☐ Grants (GRNT)
- ☐ Intergovernmental transfers other than grants (ITGV)
- ☐ Local obligations (LOB)
- ☐ Private obligor payments (POP)
- ☐ Other (Please specify.) (OTHS): _____

_____

- ☐ Property tax revenues (PRTX)
- ☐ Public enterprise revenues (PER)
- ☐ Sales tax revenues (SATR)
- ☐ Special assessments (SA)
- ☐ Special tax revenues (SPTR)
- ☒ Tax-increment (TI)

**PURPOSE(S) OF FINANCING**

- ☐ Cash flow, interim financing (CFIF)
- ☐ Project, interim financing (PIF)

- ☐ College/university housing (CUH)
- ☐ Multifamily housing (MFH)[3]
- ☐ Single-family housing (SFH)[3]

- ☐ Health care facilities (HCF)
- ☐ Hospital (HOSP)
- ☐ Other/multiple health care purposes (equipment; etc.)(OMHC)

- ☐ College/university facility (CUF)
- ☐ K-12 school facility (KSCH)
- ☐ Other/multiple education uses (equipment, etc.)(OMED)
- ☐ Student loans (SLC)

- ☒ Redevelopment, multiple uses (RD)

- ☐ Commercial development (CMDV)
- ☐ Industrial development (INDV)
- ☐ Pollution control (PC)

- ☐ Airport (APRT)
- ☐ Bridges and highways (BRHI)
- ☐ Convention center (CCTR)
- ☐ Equipment (EQUP)
- ☐ Flood control/storm drainage (FLDS)
- ☐ Multiple capital improvements and public works (MCAP)
- ☐ Other capital improvements and public works (OCAP)
- ☐ Parking (PRKG)
- ☐ Parks/open space (PRKO)
- ☐ Ports and marinas (PRTS)
- ☐ Power generation/transmission (PWR)
- ☐ Prisons/jails/correctional facilities (PRSN)
- ☐ Public building (PB)
- ☐ Public transit (PTR)
- ☐ Recreation and sports facilities (RCSP)
- ☐ Seismic safety improvements/repair (SSI)
- ☐ Solid waste recovery facilities (SWST)
- ☐ Street construction and improvements (SCI)
- ☐ Wastewater collection and treatment (WSTW)
- ☐ Water supply/storage/distribution (WTR)

- ☐ Insurance/pension funds (IPF)
- ☐ Other than listed above (OTH)s

Please Specify type/name of project if different from above: _____

[3] *Certain local government issuers of housing bonds are required to obtain a certification from the State Treasurer attesting to their compliance with the State housing reporting requirements prior to issuance of the bonds to finance single- or multifamily housing.*

# REPORT OF FINAL SALE

**California Debt and Investment Advisory Commission**
**915 Capitol Mall, Room 400, Sacramento, CA 95814**
**P.O. Box 942809, Sacramento, CA 94209-0001**
**Tel.: (916) 653-3269 FAX: (916) 654-7440**

**For Office Use Only**

RCVD JUL 16 '07

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

**CDIAC NO #:** 2007-0832

**ISSUER NAME:** Richmond Community Redevelopment Agency

(If pool bond, list participants)

**ISSUE NAME:** Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B

**IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?**

☐ **1) Marks-Roos Local Bond Pooling Act** ☐ **2) JPA Law** ☐ **3) Installment Sales Agreement, Lease** ☐ **4) Housing Revenue Bond Law & Industrial Development Bond Law** ☐ **5) Other** _____

**WILL A VALIDATION ACTION BE PURSUED?** ☒ No ☐ Yes ☐ Unknown

**ACTUAL SALE DATE:** June 28, 2007 **PRINCIPAL SOLD:** $9,772,621.50

**IS ANY PORTION OF THE DEBT FOR REFUNDING?**[1]

☒ No ☐ Yes, refunding amount (including costs) $_____

**Issuer Contact:**

Name: Steve Duran

Title: Executive Director, Richmond Community Redevelopment Agency

Address: Richmond City Hall, 1401 Marina Way South, Richmond, CA 94804-3746

Phone: (510) 231-3066 **ISSUER LOCATED IN** Contra Costa **COUNTY**

**Filing Contact::** Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Patricia E. Wyler, Project Manager, Public Finance for Eugene Clark-Herrera, Esq.

Firm/Agency: Orrick, Herrington & Sutcliffe LLP

Address: The Orrick Building, 405 Howard Street, San Francisco, CA 94105-2669

Phone: (415) 773-5912 **E-mail:** pwyler@orrick.com

Send acknowledgement/copies to: Patricia E. Wyler

**Name of individual to whom an invoice for the CDIAC issue fee should be sent:**[2]

Name: Robert Williams, Managing Director

Firm: RBC Capital Markets

Address: 345 California Street, San Francisco, CA 94104

Phone: (415) 445-8674

---

[1] *Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

[2] *This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.*

**FINANCING PARTICIPANTS** (Firm Name)

FINANCIAL ADVISOR: Tamalpais Advisors, Inc.

LEAD UNDERWRITER/PURCHASER: RBC Capital Markets

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP

TRUSTEE/PAYING AGENT: Union Bank of California, N.A.

**OFFICE LOCATION** (City/State)

Sausalito, CA

San Francisco, CA

San Francisco, CA

San Francisco, Ca

**MATURITY SCHEDULE**

☐ Attached ☒ Included in Official Statement

**MATURITY STRUCTURE**

☒ Serial (S) ☐ Term (T)

☐ Serial and term bonds or two or more term (B)

**FINAL MATURITY DATE:** 9-1-2036

**FIRST OPTIONAL CALL DATE:** None

**SENIOR/SUBORDINATE STRUCTURE** ☒ Yes ☐ No

**OFFICIAL STATEMENT/OFFERING MEMORANDUM:**
☒ **Enclosed** ☐ **None prepared**

**WAS THE ISSUE INSURED OR GUARANTEED?**
☐ No
☒ Bond Insurance (I)
☐ Letter of Credit (L)
☐ State Intercept Program (T)
☐ Other (O)

**GUARANTOR:** MBIA Insurance Corporation

**ENHANCEMENT EXPIRATION DATE:** 9-1-2036

**INDICATE CREDIT RATING:**

(For example, "AAA" or "Aaa")
☐ Not Rated
☒ Rated
Standard & Poor's: AAA
Fitch: _____
Moody's: _____
Other: _____

**REASON FOR NEGOTIATED REFUNDINGS**

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

☐ (1) Timing of the sale provided more flexibility than a public sale
☐ (2) More cost savings were expected to be realized than a public sale
☐ (3) More flexibility in debt structure was available than a public sale
☐ (4) Issuer able to work with participants familiar with issue/r than a public sale
☐ (5) All of the above
☐ (6) Other (please specify) _____

**IS THE INTEREST ON THE DEBT TAXABLE?**

Under State Law: ☒ No (tax-exempt) ☐ Yes (taxable)
Under Federal Law: ☐ No (tax-exempt) ☒ Yes (taxable)
If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☒ No

**INTEREST TYPE:** ☒ NIC ☐ TIC ☐ Variable

**INTEREST COST:** 11.4716305%

**CAPITAL APPRECIATION BOND:** ☒ Yes ☐ No

**ISSUANCE COSTS AND FEES:**

| | |
|---|---|
| A) Management Fee | $Contact Underwriter |
| B) Total Takedown | $Contact Underwriter |
| C) Underwriter Expenses | $Contact Underwriter |
| **Underwriter Spread or Discount** | $122,157.77 |
| D) Bond Counsel | $80,000 |
| E) Disclosure Counsel | $Contact Underwriter |
| F) Financial Advisor | $7,800 |
| G) Rating Agency | $6,200 |
| H) Credit Enhancement | $127,000 |
| I) Trustee Fee | $2,000 |
| J) Other Expenses | $4,308.73 |
| **Total Issuance Costs** | $106,308.73 |
| K) ORIGINAL ISSUE PREMIUM | $0 |
| L) ORIGINAL ISSUE DISCOUNT | $0 |
| M) NET ORIGINAL ISSUE DISCOUNT/PREMIUM | $0 |

FOR OFFICE USE ONLY

FEE: $_____

STATE OF CALIFORNIA

Bill Lockyer
State Treasurer and Chair

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**
915 CAPITOL MALL, ROOM 400
P.O. BOX 942809
SACRAMENTO, CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

June 5, 2007

**TO:** Patricia Wyler
Orrick Herrington & Sutcliffe
The Orrick Bldg
405 Howard St
San Francisco, CA 94105-2669

**FROM:** John Decker, Executive Director

**RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE**

Section 8855(k) of the California Government Code requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

| | |
|---|---|
| **CDIAC Nbr:** | 2007-0832 |
| **Issuer:** | Richmond Community Development Agency |
| **Project:** | Series B |
| **Proposed Amount:** | $11,000,000.00 |
| **Proposed Sale Date:** | June 26, 2007 |
| **Date Notice Received:** | May 31, 2007 |

Issuers may electronically file the ***Report of Final Sale*** through CDIAC's website, using the following information:

| | |
|---|---|
| CDIAC Nbr: | 2007-0832 |
| Password: | 25006690 |

A *CDIAC Number* and *Password* will be provided for each electronic filing of the ***Report of Proposed Debt Issuance***. This information is unique to this filing and must be used for any subsequent reporting under this *CDIAC Number*.

Please submit the ***Report of Final Sale*** and the Official Statement(or Offering Memorandum) on this issue within 45 days of the signing of the bond purchase contract or the acceptance of a bid to purchase the debt, to www.treasurer.ca.gov/cdiac/reporting.htm under the heading "Reporting Forms". Official Statements or Offering Memorandums can be sent by e-mail to CDIAC_issuance@treasurer.ca.gov.

Any questions regarding reporting requirements may be directed to the CDIAC's Data Unit at (916) 653-3269.

Cc: James Goins
Finance Director

# REPORT OF PROPOSED DEBT ISSUANCE

**California Debt and Investment Advisory Commission**
**915 Capitol Mall, Room 400, Sacramento, CA 95814**
**P.O. Box 942809, Sacramento, CA 94209-0001**
**Tel.: (916) 653-3269 FAX: (916) 654-7440**

**For Office Use Only**
**CDIAC NO.:** 07-0832
Received 5/31/07

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.[1]

**ISSUER NAME:** Richmond Community Development Agency

**ISSUE NAME:** Richmond Community Development Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), Series 2007B

Please specify type/name of project:

**PROPOSED SALE DATE:** 6-26-07 **PRINCIPAL TO BE SOLD:** $11,000,000

**IS ANY PORTION OF THE DEBT FOR REFUNDING?[2]**

☒ No ☐ Yes, proposed amount for refunding $

**Issuer Contact:**

Name: James C. Goins

Title: Finance Director

Address: City of Richmond, Richmond City Hall, 1401 Marina Way South, Richmond, CA 94804

Phone: (510) 620-6946 Issuer Located In Contra Costa County

**Filing Contact::** Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Patricia E. Wyler, Project Manager, Public Finance for Eugene Clark-Herrera, Esq.

Firm/Agency: Orrick, Herrington & Sutcliffe LLP

Address: The Orrick Building, 405 Howard Street, San Francisco, CA 94105-2669

Phone: (415) 773-5912 E-mail: pwyler@orrick.com

Send acknowledgement/copies to: Patricia E. Wyler

**FINANCING PARTICIPANTS:**

BOND COUNSEL: Orrick, Herrington & Sutcliffe LLP

FINANCIAL ADVISOR: Tamalpais Advisors, Inc.

UNDERWRITER\PURCHASER: RBC Capital Markets, Inc.

**IS THE INTEREST ON THE DEBT TAXABLE?**

| | | |
|---|---|---|
| Under State law: | ☒ NO (tax-exempt) | ☐ YES (taxable) |
| Under Federal law: | ☐ NO (tax-exempt) | ☒ YES (taxable) |

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ Yes, preference item ☒ No, not a preference item

**TYPE OF SALE:** ☐ **Competitive** ☒ **Negotiated**

---

*1 Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDLAC no later than 30 days prior to the sale. Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."*

*2 Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDLAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

## TYPE OF DEBT INSTRUMENT

### NOTE

- ☐ Bond anticipation (BAN)
- ☐ Grant obligation (GAN)
- ☐ Other note (Please specify below.) (OTHN)
- ☐ Revenue anticipation (RAN)
- ☐ Tax allocation (TALN)
- ☐ Tax and revenue anticipation (TRAN)
- ☐ Tax anticipation (TAN)

- ☐ Commercial paper (CP)
- ☐ Certificates of participation/leases (COPL)
- ☐ Other (Please specify below.) (OTH)

### BOND

- ☐ Conduit revenue (Private obligor) (CRB)
- ☐ General obligation (GOB)
- ☐ Limited tax obligation (LTOB)
- ☐ Other bond (Please specify below.) (OTHB)
- ☐ Public lease revenue (PLRB)
- ☐ Revenue (Pool) (RB)
- ☐ Revenue (Public enterprise) (PERB)
- ☐ Sales tax revenue (STRB)
- ☐ Special assessment (SAB)
- ☒ Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked: _____

## SOURCE(S) OF REPAYMENT

- ☐ Bond proceeds (BDPR)
- ☐ General fund of issuing jurisdiction (GNFD)
- ☐ Grants (GRNT)
- ☐ Intergovernmental transfers other than grants (ITGV)
- ☐ Local obligations (LOB)
- ☐ Private obligor payments (POP)
- ☐ Other (Please specify.) (OTHS): _____

- ☐ Property tax revenues (PRTX)
- ☐ Public enterprise revenues (PER)
- ☐ Sales tax revenues (SATR)
- ☐ Special assessments (SA)
- ☐ Special tax revenues (SPTR)
- ☒ Tax-increment (TI)

## PURPOSE(S) OF FINANCING

- ☐ Cash flow, interim financing (CFIF)
- ☐ Project, interim financing (PIF)

- ☐ College/university housing (CUH)
- ☐ Multifamily housing (MFH)[3]
- ☐ Single-family housing (SFH)[3]

- ☐ Health care facilities (HCF)
- ☐ Hospital (HOSP)
- ☐ Other/multiple health care purposes (equipment; etc.)(OMHC)

- ☐ College/university facility (CUF)
- ☐ K-12 school facility (KSCH)
- ☐ Other/multiple education uses (equipment, etc.)(OMED)
- ☐ Student loans (SLC)

- ☒ Redevelopment, multiple uses (RD)

- ☐ Commercial development (CMDV)
- ☐ Industrial development (INDV)
- ☐ Pollution control (PC)

- ☐ Airport (APRT)
- ☐ Bridges and highways (BRHI)
- ☐ Convention center (CCTR)
- ☐ Equipment (EQUP)
- ☐ Flood control/storm drainage (FLDS)
- ☐ Multiple capital improvements and public works (MCAP)
- ☐ Other capital improvements and public works (OCAP)
- ☐ Parking (PRKG)
- ☐ Parks/open space (PRKO)
- ☐ Ports and marinas (PRTS)
- ☐ Power generation/transmission (PWR)
- ☐ Prisons/jails/correctional facilities (PRSN)
- ☐ Public building (PB)
- ☐ Public transit (PTR)
- ☐ Recreation and sports facilities (RCSP)
- ☐ Seismic safety improvements/repair (SSI)
- ☐ Solid waste recovery facilities (SWST)
- ☐ Street construction and improvements (SCI)
- ☐ Wastewater collection and treatment (WSTW)
- ☐ Water supply/storage/distribution (WTR)

- ☐ Insurance/pension funds (IPF)
- ☐ Other than listed above (OTH)s

Please Specify type/name of project if different from above: _____

[3] *Certain local government issuers of housing bonds are required to obtain a certification from the State Treasurer attesting to their compliance with the State housing reporting requirements prior to issuance of the bonds to finance single- or multifamily housing.*

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF SECRETARY OF THE AUTHORITY REGARDING RESOLUTION NO. 2-07

I, Diane Holmes, hereby certify that I am the Secretary of the Richmond Joint Powers Financing Authority (the "Authority"), and that as such, I am familiar with the facts herein certified and authorized and qualified to execute the same on behalf of the Agency.

I hereby certify that the attached resolution is the full, true and correct copy of Resolution No. 2-07, adopted at a regular meeting of the members of the Authority held on June 5, 2007, of which meeting all of the members of the Authority had due notice and at which a quorum was present and acting throughout.

I hereby further certify that I have carefully compared the same with the original resolution as so adopted at said meeting of the Authority on file and of record in my office and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

Dated: July 12, 2007

**RICHMOND JOINT POWERS FINANCING AUTHORITY**

By: _____
Diane Holmes, Secretary

RESOLUTION NO. 2-07

A RESOLUTION OF THE RICHMOND JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF BOND PURCHASE AGREEMENTS BY AND AMONG THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY, THE RICHMOND JOINT POWERS FINANCING AUTHORITY AND RBC CAPITAL MARKETS, INC.

WHEREAS, the City of Richmond (the "City") and the Richmond Community Redevelopment Agency (the "Agency") have entered into a Joint Exercise of Powers Agreement, dated as of December 1, 1989 (the "Agreement"), creating the Richmond Joint Powers Financing Authority (the "Authority"); and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of the Government Code of the State of California (the "Act") and the Agreement, the Authority is authorized to purchase bonds issued by the Agency for financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by the Agency; and

WHEREAS, pursuant to the Act and the Agreement the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Authority desires to purchase not to exceed $70,000,000 aggregate principal amount of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) (the "Non-Housing Bonds"), to be issued in one or more series, solely from the proceeds received from the Authority's concurrent sale of the Non-Housing Bonds to RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, Inc. (the "Underwriter"); and

WHEREAS, the Authority desires to purchase not to exceed $11,000,000 aggregate principal amount of the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (the "Housing Bonds," and together with the Non-Housing Bonds, the "Bonds"), to be issued in one or more series, solely from the proceeds received from the Authority's concurrent sale of the Housing Bonds to the Underwriter; and

WHEREAS, as determined by the Agency, the purchase and resale by the Authority of the Bonds will have one or more of the following public benefits to the residents of the Richmond Community Redevelopment Agency Merged Project Areas of the Agency and to the citizens of the City, and that such public benefits will be significant:

(a) demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs;

(b) employment benefits from undertaking the proposed public capital improvements in a timely fashion; and

(c) more efficient delivery of local agency services to residential and commercial development;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Richmond Joint Powers Financing Authority, as follows:

Section 1. The foregoing recitals are true and correct and this Authority so finds and determines.

Section 2. The forms of bond purchase agreements for the Non-Housing Bonds and the Housing Bonds (collectively, the "Purchase Agreements"), each by and among the Agency, the Authority and the Underwriter, and which are on file with the Secretary of the Governing Board and incorporated into this Resolution by reference, are hereby approved. The Executive Director of the Authority is hereby authorized and directed, for and in the name and on behalf of the Authority, to purchase the Bonds from the Agency and to accept the offer of the

Underwriter to purchase the Bonds from the Authority, subject to the terms and conditions of each of the Purchase Agreements and to execute and deliver each of the Purchase Agreements, in substantially said form, with such changes or additions thereto that may hereafter become necessary in the interests of the Authority and which are reviewed and approved by counsel to the Authority, any such additions or changes to be conclusively evidenced by the execution and delivery of each of the Purchase Agreements; provided, however, that in no event shall (a) the Purchase Agreement for the Non-Housing Bonds specify (i) a true interest cost (taking into account, as necessary, the synthetic fixed rate and associated costs of the bonds) of the Non-Housing Bonds in excess of 7%, or (ii) an underwriter's discount in excess of 1% of the aggregate principal amount of the Non-Housing Bonds, or (b) the Purchase Agreement for the Housing Bonds specify (i) a true interest cost (taking into account, as necessary, the synthetic fixed rate and associated costs of the bonds) of the Housing Bonds in excess of 7%, or (ii) an underwriter's discount in excess of 1% of the aggregate principal amount of the Housing Bonds. This authorization pertains to each of the Purchase Agreements separately, and collectively, and the failure to execute or deliver any one of the Purchase Agreements, for whatever reason, shall have no effect on the authorization of the Executive Director to execute and deliver any other Purchase Agreements authorized hereunder.

Section 3. The officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds as contemplated in the Purchase Agreements, and any such actions previously taken by the aforementioned officers are hereby ratified, confirmed and approved in all respects. Notwithstanding any provision of this Resolution authorizing the Executive Director to take any action or execute any document to the contrary, in the absence of the Executive Director or in lieu of the Executive Director, the person or persons designated in writing by the Executive Director, may take such action or execute such document with like effect as fully as though named in this resolution instead of the Executive Director.

Section 4. This Resolution shall take effect immediately upon its passage.

I certify that the foregoing resolution was passed and adopted by the Governing Board of the Richmond Joint Powers Financing Authority at a meeting thereof, held on the 5th day of June, 2007, by the following vote:

| | |
|---|---|
| AYES: | Members Bates, Butt, Lopez, Marquez, Rogers, Sandhu, Viramontes, and Chairperson McLaughlin |
| NOES: | None |
| ABSTENTION: | None |
| ABSENT: | Councilmember Thurmond |

DIANE HOLMES
Secretary of the Richmond Joint Powers Financing Authority

(SEAL)

Approved:

GAYLE McLAUGHLIN
President of the Richmond Joint Powers Financing Authority

Certified as a True Copy
DIANE HOLMES
CLERK OF THE CITY OF RICHMOND, CALIF.
BY _____ DEPUTY

Approved as to form:

LOUISE RENNE, Interim
Authority Counsel

State of California }
County of Contra Costa : ss.
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 2-07, finally passed and adopted by Joint Powers Financing Authority at a joint meeting held on June 5, 2007.

(Multicurrency–Cross Border)

# ISDA®

International Swap Dealers Association, Inc.

# MASTER AGREEMENT

dated as of June 26, 2007

**Royal Bank of Canada** and **Richmond Community Redevelopment Agency**

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:--

## 1. Interpretation

(a) ***Definitions.*** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) ***Inconsistency.*** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) ***Single Agreement.*** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement'), and the parties would not otherwise enter into any Transactions.

## 2. Obligations

(a) ***General Conditions.***

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) ***Change of Account.*** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) ***Netting.*** If on any date amounts would otherwise be payable:--

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) ***Deduction or Withholding for Tax.***

(i) ***Gross-Up.*** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:-

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:--

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) ***Liability***. If:--

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) ***Default Interest; Other Amounts.*** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

## 3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:--

(a) ***Basic Representations.***

(i) ***Status.*** It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) ***Powers.*** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

(iii) ***No Violation or Conflict.*** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) ***Consents.*** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) ***Obligations Binding.*** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) ***Absence of Certain Events.*** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) ***Absence of Litigation.*** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) ***Accuracy of Specified Information.*** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) ***Payer Tax Representation.*** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) ***Payee Tax Representations.*** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

**4. Agreements**

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:--

(a) ***Furnish Specified Information.*** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:--

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation, and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) ***Maintain Authorizations.*** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) ***Comply with Laws.*** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) ***Tax Agreement.*** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) ***Payment of Stamp Tax.*** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

**5. Events of Default and Termination Events**

(a) ***Events of Default.*** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:-

(i) ***Failure to Pay or Deliver.*** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) ***Breach of Agreement.*** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) ***Credit Support Default.***

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disowns, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) ***Misrepresentation.*** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default under Specified Transaction.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross Default.*** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) ***Bankruptcy***. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:-

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) ***Merger Without Assumption***. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:-

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) ***Termination Events***. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:--

(i) ***Illegality.*** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):-

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) ***Tax Event.*** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) ***Tax Event Upon Merger.*** The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) ***Credit Event Upon Merger.*** If "Credit Event Upon Merger "is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) ***Additional Termination Event.*** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) ***Event of Default and Illegality.*** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

**6. Early Termination**

(a) ***Right to Terminate Following Event of Default.*** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)( 1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) ***Right to Terminate Following Termination Event.***

(i) ***Notice.*** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) ***Transfer to Avoid Termination Event.*** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties.*** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) ***Right to Terminate.*** If:--

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then

continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations.***

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) ***Events of Default.*** If the Early Termination Date results from an Event of Default:-

(1) *First Method and Market Quotation.* If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) ***Termination Events.*** If the Early Termination Date results from a Termination Event:-

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:--

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the bigger Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X, if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) ***Adjustment for Bankruptcy.*** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Pre-Estimate.*** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

## 7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:-

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

## 8. Contractual Currency

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) ***Evidence of Loss.*** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

## 9. Miscellaneous

(a) ***Entire Agreement.*** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) ***Amendments.*** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) ***Survival of Obligations.*** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) ***Remedies Cumulative.*** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers. remedies and privileges provided by law.

(e) ***Counterparts and Confirmations.***

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) ***No Waiver of Rights.*** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) ***Headings.*** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

## 10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organization of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

## 11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document

to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

**12. Notices**

(a) ***Effectiveness.*** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:-

(i) if in writing, and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following, day that is a Local Business Day.

(b) ***Change of Addresses.*** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

**13. Governing Law and Jurisdiction**

(a) ***Governing Law.*** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) ***Jurisdiction.*** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:-

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) ***Service of Process.*** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) ***Waiver of Immunities.*** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

## 14. Definitions

As used in this Agreement:--

***"Additional Termination Event"*** has the meaning specified in Section 5(b).

***"Affected Party"*** has the meaning specified in Section 5(b).

***"Affected Transactions"*** means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

***"Affiliate"*** means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

***"Applicable Rate"*** means:--

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

***"Burdened Party"*** has the meaning specified in Section 5(b).

***"Change in Tax Law"*** means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

***"consent"*** includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent.

***"Credit Event Upon Merger"*** has the meaning specified in Section 5(b).

***"Credit Support Document"*** means any agreement or instrument that is specified as such in this Agreement.

***"Credit Support Provider"*** has the meaning specified in the Schedule.

***"Default Rate"*** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1 % per annum.

***"Defaulting Party"*** has the meaning specified in Section 6(a).

***"Early Termination Date"*** means the date determined in accordance with Section 6(a) or 6(b)(iv).

***"Event of Default"*** has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

***"Illegality"*** has the meaning specified in Section 5(b).

***"Indemnifiable Tax"*** means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organized, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

***"law"*** includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and ***"lawful"*** and ***"unlawful"*** will be construed accordingly.

***"Local Business Day"*** means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial center, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

***"Loss"*** means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

***"Market Quotation"*** means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have

been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the biggest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

***"Non-default Rate"*** means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

***"Non-defaulting Party"*** has the meaning specified in Section 6(a).

***"Office"*** means a branch or office of a party, which may be such party's head or home office.

***"Potential Event of Default"*** means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

***"Reference Market-makers"*** means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the biggest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

***"Relevant Jurisdiction"*** means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organized, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

***"Scheduled Payment Date"*** means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

***"Set-off"*** means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

***"Settlement Amount"*** means, with respect to a party and any Early Termination Date, the sum of:-

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

***"Specified Entity"*** has the meaning specified in the Schedule.

***"Specified Indebtedness"*** means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

***"Specified Transaction"*** means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

***"Stamp Tax"*** means any stamp, registration, documentation or similar tax.

***"Tax"*** means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

***"Tax Event"*** has the meaning specified in Section 5(b).

***"Tax Event Upon Merger"*** has the meaning specified in Section 5(b).

***"Terminated Transactions"*** means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

***"Termination Currency"*** has the meaning specified in the Schedule.

***"Termination Currency Equivalent"*** means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

***"Termination Event"*** means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

***"Termination Rate"*** means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

***"Unpaid Amounts"*** owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**ROYAL BANK OF CANADA**

By: Irene Klausmann
Name:

Title: IRENE KLAUSMANN
AUTHORIZED SIGNATORY

Date: July 10/09

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Name:

Title:

Date:

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**ROYAL BANK OF CANADA**

By: _____

Name: KLAUSMANN

Title: AUTHORIZED SIGNATORY

Date: July 10/07

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____

Name: Steven Duran

Title: Executive Director

Date: July 10, 2007

Form **W-8BEN**
(Rev. February 2006)
Department of the Treasury
Internal Revenue Service

# Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding

▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1621

| Do not use this form for: | Instead, use Form: |
|---|---|
| • A U.S. citizen or other U.S. person, including a resident alien individual | W-9 |
| • A person claiming that income is effectively connected with the conduct of a trade or business in the United States | W-8ECI |
| • A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions) | W-8ECI or W-8IMY |
| • A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions) | W-8ECI or W-8EXP |
| **Note:** *These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding.* | |
| • A person acting as an intermediary | W-8IMY |

**Note:** See *instructions for additional exceptions.*

## Part I Identification of Beneficial Owner (See instructions.)

1 Name of individual or organization that is the beneficial owner
**ROYAL BANK OF CANADA**

2 Country of incorporation or organization
**Canada**

3 Type of beneficial owner: ☐ Individual ☑ Corporation ☐ Disregarded entity ☐ Partnership ☐ Simple trust
☐ Grantor trust ☐ Complex trust ☐ Estate ☐ Government ☐ International organization
☐ Central bank of issue ☐ Tax-exempt organization ☐ Private foundation

4 Permanent residence address (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address.**
**Royal Bank Plaza, 10th Floor, North Tower**

City or town, state or province. Include postal code where appropriate.
**200 Bay Street, Toronto, Ontario M5J 2W7**

Country (do not abbreviate)
**Canada**

5 Mailing address (if different from above)

City or town, state or province. Include postal code where appropriate.

Country (do not abbreviate)

6 U.S. taxpayer identification number, if required (see instructions)
**13-5357855** ☐ SSN or ITIN ☑ EIN

7 Foreign tax identifying number, if any (optional)
**10524-8165**

8 Reference number(s) (see instructions)

## Part II Claim of Tax Treaty Benefits (if applicable)

9 **I certify that (check all that apply):**

a ☑ The beneficial owner is a resident of **Canada** within the meaning of the income tax treaty between the United States and that country.

b ☑ If required, the U.S. taxpayer identification number is stated on line 6 (see instructions).

c ☑ The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).

d ☐ The beneficial owner is not an individual, is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions).

e ☐ The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, $500,000.

10 **Special rates and conditions** (if applicable—see instructions): The beneficial owner is claiming the provisions of Article .....of the treaty identified on line 9a above to claim a .....% rate of withholding on (specify type of income): .....
Explain the reasons the beneficial owner meets the terms of the treaty article: .....

## Part III Notional Principal Contracts

11 ☐ I have provided or will provide a statement that identifies those notional principal contracts from which the income is not effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

## Part IV Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

1 I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,

2 The beneficial owner is not a U.S. person,

3 The income to which this form relates is (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an income tax treaty, or (c) the partner's share of a partnership's effectively connected income, and

4 For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

**Sign Here** ▶ Dieu Klaassman July 10/07 Attorney-In-Fact

Signature of beneficial owner (or individual authorized to sign for beneficial owner) — Date (MM-DD-YYYY) — Capacity in which acting

**ISDA**
**International Swaps and Derivatives Association, Inc.**

**SCHEDULE**
**to the**
**1992 Master Agreement**

**dated as of June 26, 2007**

**between**

**Royal Bank of Canada**
**("Party A")**

**and**

**Richmond Community Redevelopment Agency**
**("Party B")**

**Part 1. Termination Provisions.**

(a) **"Specified Entity"** means in relation to Party A for the purpose of:-

| | |
|---|---|
| Section 5(a)(v), | None |
| Section 5(a)(vi), | None |
| Section 5(a)(vii), | None |
| Section 5(b)(iv), | None |

in relation to Party B for the purpose of:-

| | |
|---|---|
| Section 5(a)(v), | None |
| Section 5(a)(vi), | None |
| Section 5(a)(vii), | None |
| Section 5(b)(iv), | None |

(b) **"Specified Transaction"** will have the meaning specified in Section 14 of this Agreement.

(c) The **"Cross Default"** provisions of Section 5(a)(vi) will apply to Party A and will apply to Party B.

If such provisions apply:-

The "." at the end of the definition of **"Specified Indebtedness"** in Section 14 of this Agreement shall be deleted and replaced by the following: ", except that (i) with respect to Party A, such term shall not include obligations in respect of deposits received in the ordinary course of Party A's banking business, if any, and with respect to Party B, such term shall be limited to obligations payable solely from Party B's Subordinate Pledged Tax Revenues."

**"Threshold Amount"** means in relation to each of Party A, 1% of its shareholders' equity (as disclosed in its most recent financial statements) or the equivalent in any other currency, and in relation to Party B, USD 10,000,000.

(d) The **"Credit Event Upon Merger"** provisions of Section 5(b)(iv) will apply to Party A and will apply to Party B.

(e) The **"Automatic Early Termination"** provision of Section 6(a) will not apply to Party A and will not apply to Party B.

(f) **Payments on Early Termination**. For the purpose of Section 6(e) of this Agreement:-

(i) Market Quotation will apply.

(ii) The Second Method will apply.

(g) **"Termination Currency"** means United States Dollars.

(h) **Additional Termination Event** will apply. The following shall constitute an Additional Termination Event with respect to any Transaction under this Agreement which is not an Insured Transaction (as herein defined):-

Either:

(A) the reduction of the long-term unsecured, unsubordinated debt rating of Party A or the reduction of the rating on the long-term, unsecured and unenhanced senior lien obligations payable from the Subordinate Pledged Tax Revenues of Party B below a rating of:

(i) BBB by Standard & Poor's Ratings Group ("S&P") ; or
(ii) Baa2 by Moody's Investors Service, Inc. ("Moody's); or

(B) the cessation by either Moody's or S&P (together referred to herein as the "Rating Agencies") to issue ratings in respect of the long-term unsecured, unsubordinated debt of Party A or the long-term, unsecured and unenhanced senior lien obligations payable from the Subordinate Pledged Tax Revenues of Party B.

The party whose rating is so reduced or who ceases to be so rated shall be the Affected party for the purposes of this Additional Termination Event.

In the event that one or both of the Rating Agencies cease providing rating services generally, or cease providing rating services in regard to long-term unsecured, unsubordinated debt of Party A or the long-term, unsecured and unenhanced senior lien obligations of Party B payable from the [Subordinate Pledged Tax Revenues] of Party B specifically, the parties hereto shall mutually agree upon one or more alternate rating agencies and shall designate the rating level issued by such rating agency or agencies for the purposes of this provision.

**Part 2. Tax Representations.**

(a) **Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A will make the following representation and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this

representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Representations.**

(i) Party A. For the purpose of Section 3(f) of this Agreement, Party A makes the representations specified below:

(A) It is a bank organized under the laws of Canada and (ii) it is a foreign corporation for U.S. federal tax purposes.

(B) In respect of a Transaction the income from which is attributable to its New York office, each payment received or to be received by it in connection with this Agreement will be effectively connected with its conduct of a trade or business in the United States.

(C) In every other case, (i) each payment received or to be received by it will be received by a foreign person or a non-U.S. branch of a foreign person and (ii) no part of any payments received or to be received by it in connection with this Agreement is attributable to a trade or business carried on by it in the United States.

(ii) Party B. For the purpose of Section 3(f) of this Agreement, Party B makes the representations specified below:

(A) It is a body politic, organized and existing under the laws of the State of California and it is an instrumentality of a state or political subdivision for U.S. federal tax purposes.

**Part 3. Agreement to Deliver Documents.**

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:-

(a) Tax forms, documents or certificates to be delivered are:-

| **Party required to deliver document** | **Form/Document/Certificate** | **Date by which to be delivered** |
|---|---|---|
| Party A | With respect to any payments described in Part 2(b)(i)(B) of this Schedule, U.S. Internal Revenue Service Form W-8ECI (or any successor of such Form), completed accurately and in a manner reasonably acceptable to Party B | (1) Before the first payment date under this Agreement (2) before December 31 of each third succeeding calendar year, (3) promptly upon the earlier of reasonable demand by Party B and learning that any such Form is required, (4) prior to the expiration or obsolescence of any previously delivered Form, and (5) promptly upon the information on any such previously delivered Form becoming inaccurate or incorrect |
| Party A | With respect to any payments described in Part 2(b)(i)(C) of this Schedule, U.S. Internal Revenue Service Form W-8BEN (or any | (1) Before the first payment date under this Agreement (2) before December 31 of each |

| Party required to deliver document | Form/Document/Certificate | Date by which to be delivered |
|---|---|---|
| | successor of such Form), completed accurately and in a manner reasonably acceptable to Party B | third succeeding calendar year, (3) promptly upon the earlier of reasonable demand by Party B and learning that any such Form is required, (4) prior to the expiration or obsolescence of any previously delivered Form, and (5) promptly upon the information on any such previously delivered Form becoming inaccurate or incorrect |
| Party B | U.S. Internal Revenue Service Form W-9 (or any successor of such Form), completed accurately and in a manner reasonably acceptable to Party A | Upon execution of this Agreement |
| Party A and Party B | Any other form or document, accurately completed and in a manner reasonably satisfactory to the other party, that may be required or reasonably requested in writing in order to allow the other party to make a payment under this Agreement, including any Credit Support Document, without any deduction or withholding for or on account of any Tax or with such deduction at a reduced rate. | Promptly upon request of other party. |

(b) Other documents to be delivered are:-

| Party required to deliver document | Form/Document/Certificate | Date by which to be delivered | Covered by Section 3(d) representation |
|---|---|---|---|
| Party A | Power of Attorney and Certificate of Incumbency | Upon execution of this Agreement, and, if requested, each Confirmation | Yes |
| Party A | Copy of extract of resolutions with respect to execution of agreements | Upon execution of this Agreement | Yes |
| Party B | Certified copies of all resolutions required to authorize the signing, delivery and performance of this Agreement by Party B and appointing and empowering individuals with specimens of their respective signatures for and on behalf of Party B to sign and deliver this Agreement and sign and deliver all agreements, documents and instruments, and give all instructions, in connection herewith | Upon execution of this Agreement, and, if requested, each Confirmation | Yes |

| Party required to deliver document | Form/Document/Certificate | Date by which to be delivered | Covered by Section 3(d) representation |
|---|---|---|---|
| Party A | Opinions of counsel to Party A satisfactory to Party B and the Swap Insurer | Upon execution of this Agreement | No |
| Party B | Opinion of legal advisors to Party B in a form satisfactory to Party A and the Swap Insurer | Upon execution of this Agreement | No |
| Party B | Swap Insurance Policy | Upon delivery of the bonds to which the Insured Transaction relates | No |
| Party B | Opinion of Swap Insurer with respect to Swap Insurance Policy | Upon delivery of the Swap Insurance Policy | No |
| Party B | The Covered Agreement | Upon execution of this Agreement | Yes |

**Part 4. Miscellaneous.**

(a) **Address for Notices.** For the purpose of Section 12(a) of this Agreement:-

Address for notices or communications to Party A with respect to this Agreement shall be given to it at the following address:

Address: Royal Bank of Canada
2nd Floor
Royal Bank Plaza
200 Bay Street
Toronto, Ontario
CANADA M5J 2W7

Attention: Managing Director, Global Middle Office

Facsimile No.: (416) 842-4839

With a copy to the Swap Insurer:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: Insured Portfolio Management
Telephone: (914) 273-4545
Facsimile: (914) 765-3799

Unless otherwise provided herein, address for notices or communications to Party A relating to a particular Swap Transaction concluded with its **Toronto** office, shall be given to it at the following address:

| **Swap Transaction** |
|---|
| Royal Bank of Canada<br>5th Floor, North Tower<br>Royal Bank Plaza<br>200 Bay Street<br>Toronto, Ontario<br>CANADA M5J 2W7 |
| Attention: Manager, Capital Market Products Operations |
| Facsimile No.: (416) 842-4303 or (416) 842-4304 |

Address for notices or communications to Party A relating to a particular Swap Transaction concluded with its **New York** Office, shall be given to it at the following address:-

| **Swap Transaction** |
|---|
| Royal Bank of Canada<br>New York Branch<br>One Liberty Plaza, 2nd Floor<br>165 Broadway<br>New York, New York<br>10006-1404<br>U.S.A |
| Attention: RBC Capital Markets Capital Markets Group |
| Telex: 420464 Answerback: RBOC |
| Facsimile No.: 212-428-3018 |

Address for notices or communications to Party B with respect to this Agreement and any Transactions shall be given to it at the following address:

Address: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

Attention: Susan Segovia
Facsimile: 510-620-6522

With a copy to the Swap Insurer:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: Insured Portfolio Management
Telephone: (914) 273-4545
Facsimile: (914) 765-3799

(b) **Process Agent**. For the purpose of Section 13(c) of this Agreement:-

Party A appoints as its Process Agent - None

Party B appoints as its Process Agent - None

(c) **Offices**. The provisions of Section 10(a) will apply to Party A and Party B; provided, however, that without in any way limiting the effect of the foregoing, each party agrees to deal first with the Office of the other party specified in the Confirmation rather than such party's head or home office with respect to resolving any default that results solely from wire transfer difficulties or an error or omission of an administrative or operational nature. Notwithstanding the foregoing, a party (the "Owed Party") may seek payment from the head or home office of the other party (the "Owing Party") with respect to this Agreement in the event that an amount payable to the Owed Party by the Owing Party pursuant to this Agreement as a result of the designation of an Early Termination Date has not been paid in full when due.

(d) **Multibranch Party**. For the purpose of Section 10(c) of this Agreement:-

Party A is a Multibranch Party and may act through its Toronto and New York offices.

Party B is not a Multibranch Party.

(e) **Calculation Agent.** The Calculation Agent is Party A unless otherwise specified in a Confirmation in relation to the relevant Transaction.

(f) **Credit Support Document**. Details of any Credit Support Document: - (i) The Covered Agreement, and any Credit Support Annex delivered pursuant to Part 6(1)(iii) with respect to Party B and (ii) any Credit Support Annex delivered pursuant to Part 6(1)(iii) with respect to Party A.

(g) **Credit Support Provider**. Credit Support Provider means in relation to Party B: None.

(h) **Governing Law**. This Agreement will be governed by and construed in accordance with the laws of the State of New York, except that the capacity of Party B to enter into this Agreement or any transaction hereunder shall be governed by and construed in accordance with the laws of the State of California.

(i) **Netting of Payments**. Subparagraph (ii) of Section 2(c) of this Agreement will apply to all Transactions.

(j) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement.

**Part 5. Other Provisions.**

1. **Definitions**. This Agreement, each Confirmation, and each Transaction are subject to the 1992 ISDA U.S. Municipal Counterparty Definitions (the "1992 Muni Definitions") and the 2000 ISDA Definitions (the "2000 Definitions" and, together with the 1992 Muni Definitions, the "Definitions"), in each case as published by the International Swaps and Derivatives Association, Inc., and will be governed in all respects by the provisions set forth in the Definitions with references to "Swap Transaction" therein being a reference to "Transaction" for purposes of this Agreement. The provisions of the Definitions are incorporated by reference in, and made part of, this Agreement as if set forth in full in this Agreement and each Confirmation. In the event of any inconsistency between (i) (A) the provisions of this Schedule and the Master Agreement of which it is a part; and (B) the Definitions, the provisions set forth in this Schedule will prevail; and (ii) in the event of any inconsistency between (A) the provisions of a Confirmation, and (B) any of this Schedule, the Master Agreement or the Definitions, the provisions set forth in the Confirmation will prevail.

2. **Illegality**. For purposes of Section 5(b)(i), the obligation of Party A to comply with any official directive issued or given by any government agency or authority with competent jurisdiction which has the result referred to in Section 5(b)(i) will be deemed to be an "Illegality".

3. **Execution**. Section 9(e)(ii) of this Agreement is deleted and replaced in its entirety with the following provision:

"(ii) Execution of Transactions. The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by exchange of electronic messages on an electronic messaging system, facsimile transmissions or other delivery, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. With respect to Confirmations created by an exchange of electronic messages, facsimile transmissions or other delivery, only those terms which match and are contained in the messages sent by both parties will form the Confirmation of the Transaction. Where a Transaction is confirmed by means of electronic messaging system (including, without limitation, circumstances where such electronic message is printed and faxed or otherwise delivered by one party to the other party) such confirmation will constitute a 'Confirmation' as referred to in this Agreement even where not so specified in the Confirmation. The location, branch or office of each party to which payment or delivery is required under the terms of a Transaction shall be deemed to be an "Office" for purposes of Section 10 of the Agreement even where the Confirmation does not expressly identify such location, branch or office as an "Office".

4. **Service of Process**. With respect to the provisions of Section 13(c) of the Agreement, the reference therein to Section 12 to the contrary notwithstanding, no consent is given by either party to service of process by telex, facsimile transmission or electronic messaging system.

5. **Equivalency Clause**. For the purpose of disclosure pursuant to the Interest Act (Canada), if a rate of interest payable under the Agreement (the "Agreement Interest Rate") is calculated on a basis other than a full calendar year, then an equivalent rate of interest calculated on a basis of a full calendar year (the "Equivalent Interest Rate") must also be disclosed. In such circumstances, the Equivalent Interest Rate may be determined by multiplying the Agreement Interest Rate by a fraction, the numerator of which is the actual number of days in the calendar year in which the Equivalent Interest Rate is to be ascertained and the denominator of which is the number of days comprising the basis on which the Agreement Interest Rate is calculated.

6. **Set-Off.** Section 6 of this Agreement is amended by adding the following Section as Section 6(f):

"(f) **Set-Off**. Subject to Part 6(1)(xiii) of this Schedule, any Amount (the "Early Termination Amount") payable to one party (the "Payee") by the other party (the "Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(iv) has occurred, will, at the option of the party ("X") other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the "Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the place of payment or booking office of the obligation) under any Transactions (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f). If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained. Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which either party is at any time otherwise entitled (whether by operation of law, contract or otherwise)."

7. **Relationship Between Parties**. Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):

(a) Non Reliance. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction. It has not made any representation, nor is it relying on any communication (written or oral) of the other party, with respect to whether, how, when or in what manner a derivative transaction will be hedged; it being understood that this representation expressly supersedes any communication (written or oral) which may have occurred between the parties with respect to whether, how, when or in what manner a derivative transaction may be hedged.

(b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming and assumes, the risks of that Transaction.

(c) Status of Parties. The other party is not acting as a fiduciary for or as an advisor to it in respect of that Transaction.

8. **Electronic Signatures**. Party A confirms, and Party B acknowledges, that Party A uses a computer-based system to execute certain Confirmations and that each such Confirmation executed by Party A by means of an electronically-produced signature shall have the same legal effect as if such signature had been manually written on such Confirmation and that each such Confirmation shall be deemed to have been signed for the purposes of any statute or rule of law that requires such Confirmation to be signed. The parties acknowledge that in any legal proceedings between them respecting or in any way relating to this Agreement, each party expressly waives any right to raise any defence or waiver of liability based upon the execution of a Confirmation by Party A by means of an electronically-produced signature. This provision shall apply to all Confirmations outstanding as of the date hereof and executed by Party A by means of an electronically-produced signature, and to all Confirmations in respect of Transactions entered into between Party A and Party B after the date hereof.

9. **Consent to Recording**. The parties agree that each may electronically record all telephonic conversations between their trading and marketing personnel and that any such tape recordings may be submitted in evidence in any Proceedings relating to the Agreement. In the event of any dispute between the parties as to the terms of any Transaction governed by this Agreement, the parties may use the electronic recordings as the preferred evidence of the terms of the Transaction, notwithstanding the existence of any writing to the contrary.

10. **Representations, Warranties and Acknowledgments Relating to Status as "Eligible Contract Participant"**.

(a) Party A represents and warrants to Party B that:

(i) it is an "eligible contract participant" within the meaning of Commodities Futures Modernization Act of 2000 (the "Act"); and

(ii) it has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.

In addition, Party A acknowledges and agrees that (A) this Agreement and each Transaction constitutes a "swap agreement" within the meaning of the Act; (B) neither this Agreement or any Transaction is one of a fungible class of agreements that are standardized as to their material economic terms, within the meaning of the Act, and the material economic terms of each Transaction are subject to individual negotiation; and (C) the creditworthiness of the other party was or will be a material consideration in entering into or determining the terms of this Agreement and each Transaction, including pricing, cost or credit enhancement terms of the Agreement or Transaction, within the meaning of the Act.

(b) Non-Speculation. Party B represents that this Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into primarily for purposes of managing its borrowings or investments and not for purposes of speculation.

11. **Waiver of Jury Trial.** Each party hereto irrevocably waives, to the full extent permitted by law, any and all right to trial by jury in any suit, action or proceeding arising out of or relating to this Agreement or any Transaction hereunder.

12. **Security and Source of Payment for Party B.** Party B has pledged Subordinate Pledged Tax Revenues to secure payment of its obligations under this Agreement pursuant to the Covered Agreement. Under the Covered Agreement, such pledge constitutes a lien on Subordinate Pledged Tax Revenues as follows: Regularly scheduled swap payments to be made under this Agreement are on parity with debt service on the Bonds while any termination payments to be made by Party B to Party A under this Agreement are treated as Subordinate Obligations and payable from Subordinate Tax Revenues on a subordinate basis to debt service and parity debt

13. **Compliance with Covered Agreement.** Party B hereby agrees to comply with all of its obligations under the Covered Agreement, that materially affect Party A's security for Party B's obligations to Party A under the Agreement (the "Incorporated Provisions") and hereby agrees not to amend, supplement, modify or waive the Incorporated Provisions without the prior written consent of Party A; provided, however, that Party A shall not be entitled to exercise any of the rights and remedies granted to the Swap Insurer, nor shall Party A's rights be construed to limit Swap Insurer's rights and remedies under the Incorporated Provisions or to require Party A's consent to any action or consent provided by Swap Insurer in accordance with the Incorporated Provisions.

14. **Additional Definitions.**

(a) "Bonds" means •.

(b) "Covered Agreement" means the Indenture of Trust by and between Richmond Community Redevelopment Agency and Union Bank of California, N.A., as Trustee dated as of •, 2007.

(c) "Insured Transaction" has the meaning set forth in Part 6(1) of this Schedule.

(d) "Subordinate Pledged Tax Revenues" shall have the meaning set forth in the Covered Agreement.

(e) "Swap Insurer" means MBIA Insurance Corporation as issuer of the Swap Insurance Policy.

(f) "Swap Insurance Policy" has the meaning set forth in Part 6(1) of this Schedule.

**Part 6. Insurance Provisions.**

(1) **Swap Insurer Provisions.** Notwithstanding anything to the contrary in the Agreement, the following provisions shall apply to any Transactions to which an Interest Rate Swap Insurance Policy (the "Swap

Insurance Policy") issued by MBIA Insurance Corporation ("the Swap Insurer"), for the account of Party B, as principal, and for the benefit of Party A, as beneficiary, relates ("Insured Transactions").

(i) Designation of Early Termination Date. Notwithstanding anything to the contrary in Section 6 of this Agreement, if any:

(A) Event of Default in respect of any Insured Transaction under this Agreement occurs, or

(B) any Termination Event in respect of any Insured Transaction under this Agreement occurs (other than the Additional Termination Event described at (iii)(A) or (B) below),

then, in either case, neither Party A nor Party B shall designate an Early Termination Date in respect of any such Insured Transaction unless:

(Y) Swap Insurer has failed to pay any payment due to Party A under the terms and conditions of the Swap Insurance Policy; or

(Z) Swap Insurer has otherwise consented in writing to such designation.

(ii) Swap Insurer-directed termination. If any Event of Default under this Agreement occurs with respect to Party B as the Defaulting Party, then Swap Insurer (so long as it has not failed to pay any payment due to Party A under the terms and conditions of the Swap Insurance Policy) shall have the right (but not the obligation) upon notice to Party A to designate an Early Termination Date with respect to Party B with the same effect as if such designation were made by Party A. For purposes of the foregoing sentence, an Event of Default with respect to Party B shall be considered to be continuing, notwithstanding any payment by Swap Insurer under the Swap Insurance Policy. The parties acknowledge that, except as the Swap Insurance Policy may be otherwise endorsed, unless Swap Insurer designates an Early Termination Date following such an Event of Default (as opposed to merely consenting to such designation by one of the parties) payments due from Party B because an Early Termination Date has been designated will not be insured.

(iii) Additional Termination Event. Additional Termination Events will apply. The following shall constitute an Additional Termination Event:

(A) Swap Insurer fails to meet its payment obligations under the Swap Insurance Policy and such failure is continuing with respect to Swap Insurer under the Swap Insurance Policy; or

(B) A Swap Insurer Event has occurred and is continuing; provided, however, that additionally:

(X) an Event of Default has occurred or is continuing with respect to Party B as the Defaulting Party; or

(Y) a Termination Event has occurred or is continuing with respect to Party B.

For the purpose of the foregoing Termination Event, the "Affected Party" shall be Party B.

A "Swap Insurer Event" means any of the following:

(1) Swap Insurer fails at any time during the term of the Agreement to have (a) a claims paying ability rating of A- or higher by S&P or (b) a financial strength rating of A3 or higher by Moody's;

(2) Swap Insurer is in conservation, liquidation or receivership under the New York Insurance laws; or

(3) Swap Insurer (a) fails to have a claims-paying ability rating of at least "AAA" from S&P or at least "Aaa" from Moody's; and (b) fails to pay obligations for indebtedness for money borrowed in an aggregate amount in excess of $50,000,000 (after giving effect to any applicable notice requirement or grace period) or to meet then-current policy obligations for which claims have been properly presented in an aggregate amount in excess of $50,000,000, which failure to make payment (in whole or in part) in either case is not due to: (u) administrative error; (v) Swap Insurer action to contest a claim; (w) an order from, or action by, a regulator of Swap Insurer which forbids, delays or impedes such payment, except in connection with an Swap Insurer insolvency, conservation or receivership; (x) the occurrence of an act of God which prevents such payment; (y) the usual mechanisms or channels employed to make such payment being unavailable to Swap Insurer through no fault of Swap Insurer; (z) a statute, rule or order (including, but not limited to exchange controls) which forbids, delays or impedes either (I) such payment, other than in connection with an Swap Insurer insolvency, conservation or receivership, or (II) the acquisition of, or payment in, a currency required in order to make such payment; or

(4) (a) Swap Insurer consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer the resulting, surviving or transferee entity fails to assume all the obligations of Swap Insurer under the Swap Insurance Policy by agreement or operation of law and (b) Party B fails to provide a replacement guarantee, letter of credit, surety bond, insurance policy or other credit enhancement instrument providing, in the reasonable opinion of Party A, support substantially the same as provided by the Swap Insurance Policy by a provider whose credit ratings are at least equal to those of Swap Insurer at the time of the replacement; or

(5) (a) the entry of a final non-appealable order of a court of competent jurisdiction that the Swap Insurance Policy is invalid and (b) Party B fails to provide a replacement guarantee, letter of credit, surety bond, insurance policy or other credit enhancement instrument providing, in the reasonable opinion of Party A, support substantially the same as provided by the Swap Policy by a provider whose credit ratings are at least equal to those of Swap Insurer at the time of the replacement.

(C) The long-term senior unsecured debt rating of Party A from:

(a) S&P is withdrawn, suspended or falls to or below "A-"; or

(b) Moody's is withdrawn, suspended or falls to or below "A3"; and

Party A has not, within 30 days executed a collateral agreement with Party B, Swap Insurer and a third-party collateral agent providing for the collateralization of Party A's obligations under the Agreement as measured by the estimated Settlement Amount,

such amount to be established by Party A monthly and on demand, collateral to be marked-to-market weekly; provided that the collateral, collateral levels, collateral agent and terms of such collateral agreement must all be satisfactory to Swap Insurer (a "Collateral Agreement").[1]

For the purpose of the foregoing Termination Event, the "Affected Party" shall be Party A.

(D) Party A's long-term senior unsecured debt rating from (a) S&P is withdrawn, suspended or falls to or below "BBB"; or (b) from Moody's is withdrawn, suspended or falls to or below "Baa2."

For the purpose of the foregoing Termination Event, the "Affected Party" shall be Party A.

(iv) No suspension of payments. Notwithstanding Section 2(a)(iii) of this Agreement, Party A shall not suspend any payments due under an Insured Transaction under Section 2(a)(iii) unless:

(A) Swap Insurer is in default in respect of any payment obligations under the Swap Policy; or

(B) Swap Insurer has not provided to Party A, in accordance with the terms of this Agreement, any ministerial notices (including, and limited to, wire instructions for payments) required by this Agreement to be provided by Party B to Party A, which notices Party B has failed to provide, and Party A has given three (3) Business Days' notice to Swap Insurer of such failure.

(v) Collateral. If the long term senior unsecured debt rating of Party A from:

(a) S&P is withdrawn, suspended or falls to or below "A-"; or

(b) Moody's is withdrawn, suspended or falls to or below "A3"; and

then Party A will, within 30 days, execute a Collateral Agreement with Party B, Swap Insurer and a third-party collateral agent.

(vi) Replacement. Party A agrees that if Party B or Swap Insurer has a right to designate an Early Termination Date pursuant to Part 6(1)(iii)(C) or (D) above, then, upon the request of Swap Insurer or Party B with the consent of Swap Insurer, Party A shall procure a replacement Transaction at its own expense (and at no expense to Party B) with a swap counterparty on the same terms as this Agreement mutatis mutandis, or else with such amendments to the terms of this Agreement as have been approved by S&P, Moody's and Swap Insurer.

(vii) Representations and agreements. Each party agrees that each of its representations and agreements in this Agreement is expressly made to and for the benefit of Swap Insurer.

(viii) Third-party beneficiary. Party A and Party B hereby each acknowledge and agree that Swap Insurer shall be an express third-party beneficiary (and not merely an incidental third-party beneficiary) of this Agreement and the obligations of such party under any Insured Transaction, and as such, entitled to enforce the Agreement and the terms of any such Insured Transaction against such party on its own behalf and/or on behalf of the holders of

[1] A Collateral Agreement satisfactory to MBIA will include a Threshold of zero when collateral is required under this provision and a minimum transfer amount of no more than $100,000.

the related Bonds and otherwise shall be afforded all remedies available hereunder or otherwise afforded by law against the parties hereto to redress any damage or loss incurred by Swap Insurer including, but not limited to, fees (including professional fees), costs and expenses incurred by Swap Insurer which are related to, or resulting from any breach by such party of its obligations hereunder.

(ix) Policy coverage. Party A and Party B hereby each acknowledge and agree that Swap Insurer's obligation with respect to Insured Transactions shall be limited to the terms of the Swap Insurance Policy. Notwithstanding Section 2(e) or any other provision of this Agreement, Swap Insurer shall not have any obligation to pay interest on any amount payable by Party B under this Agreement.

(x) Subrogation. Party A and Party B hereby acknowledge that to the extent of payments made by Swap Insurer to Party A under the Swap Policy, Swap Insurer shall be fully subrogated to the rights of Party A against Party B under the Insured Transaction to which such payments relate, including, but not limited to, the right to receive payment from Party B and the enforcement of any remedies and the availability of any collateral posted. Party A hereby agrees to assign to Swap Insurer its right to receive payment from Party B under any Insured Transaction to the extent of any payment thereunder by Swap Insurer to Party A. Party B hereby acknowledges and consents to the assignment by Party A to Swap Insurer of any rights and remedies that Party A has under any Insured Transaction or any other document executed in connection herewith.

(xi) Isolation of Insured Transactions in designating an Early Termination Date. Notwithstanding Section 6 of this Agreement, any designation of an Early Termination Date in respect of the Insured Transactions by Swap Insurer or by Party A with the consent of Swap Insurer pursuant to paragraph (i) above shall apply only to the Insured Transactions and not to any other Transaction under this Agreement, unless Party A shall designate an Early Termination Date in respect of such other Transaction. Nothing contained in this paragraph (xi) shall affect the rights of Party A under this Agreement to designate an Early Termination Date in respect of any Transaction other than the Insured Transactions, which designation shall not apply to the Insured Transactions unless expressly provided in such designation and unless Swap Insurer shall have designated, or consented to the designation by Party A of, an Early Termination Date in respect of the Insured Transactions in accordance with paragraph (i) above.

(xii) No netting. Notwithstanding Section 2(c) of this Agreement, in no event shall either Party A or Party B be entitled to net its payment obligations in respect of the Insured Transactions against the payment obligations of the other party in respect of other Transactions under this Agreement if such Transactions are not Insured Transactions, nor may either Party A or Party B net the payment obligations of the other party under Transactions that are not Insured Transactions against the payment obligations of such party under Insured Transactions, it being the intention of the parties that their payment obligations under Insured Transactions be treated separate and apart from all other Transactions. Section 6(e) of this Agreement shall apply to all Insured Transactions with the same effect as if the Insured Transactions constituted a single master agreement. Notwithstanding Section 6(e) of this Agreement, the amount payable under Section 6(e) of this Agreement upon the termination of any Insured Transaction shall be determined without regard to any Transactions other than the Insured Transactions, it being the intention of the parties that their payment obligations under the Insured Transactions be treated separate and apart from all other Transactions unless otherwise specified in such other Transaction and agreed to in writing by Swap Insurer.

(xiii) No set-off or counterclaim. In no event shall either Party A or Party B be entitled to:

(A) set-off its payment obligations in respect of an Insured Transaction against the payment obligations of the other party (whether by counterclaim or otherwise) if such obligations are not Insured Transactions, or

(B) net the payment obligations of the other party that are not with respect to Insured Transactions against the payment obligations of such party under Insured Transactions,

it being the intention of the parties that their payment obligations under Insured Transactions be treated separate and apart from all other obligations. Notwithstanding Section 6(e) of this Agreement, the amount payable under Section 6(e) of this Agreement upon the termination of any Insured Transaction shall be determined without regard to any obligation other than those under the Insured Transactions, it being the intention of the parties that their payment obligations under the Insured Transactions be treated separate and apart from all other obligations unless otherwise specified in such other obligation and agreed to in writing by Swap Insurer.

(xiv) Expenses. Party B agrees to reimburse Swap Insurer immediately and unconditionally upon demand for all reasonable expenses incurred by Swap Insurer in connection with the issuance of the Swap Insurance Policy and the enforcement by Swap Insurer of Party B's obligations under this Agreement and any other documents executed in connection with the execution and delivery of this Agreement, including, but not limited to, fees (including professional fees), costs and expenses incurred by Swap Insurer which are related to, or resulting from any breach by Party B of its obligations hereunder.

(xv) Transfers/Assignments. Notwithstanding Section 7 of the Agreement, no Insured Transaction may be assigned by either Party A or Party B without the prior written consent of Swap Insurer. However Party A may make such an assignment to an affiliate of Party A without Swap Insurer's prior written consent, if Party A (or the entity currently guaranteeing the obligations of Party A, if any) provides a guaranty of the Insured Transaction, as assigned, acceptable to Swap Insurer.

(xvi) Amendments/waivers. Section 9(b) of the Agreement is hereby amended by (A) adding the phrase "and Swap Insurer" following the word "parties" in the third line thereof and (B) adding the following sentence at the end of Section 9(b): "No amendment, modification or waiver in respect of the Credit Support Documents will be effective unless in writing (including a writing evidenced by a facsimile transmission) and consented to in writing by Insurer or confirmed by an exchange of telexes or electronic messages on an electronic messaging system and consented to in writing by Insurer.".

(xvii) Notices. A copy of each notice or other communication between the parties with respect to this Agreement must be forwarded to Swap Insurer.

(xviii) "Reference Market Makers." The definition of "Reference Market-makers" set forth in Section 14 of the Agreement shall be amended in its entirety to read as follows:

> "Reference Market-makers" means four (4) leading dealers in the relevant swap market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among dealers having an office in the same city. The rating classification assigned to any outstanding long-term senior debt securities issued by such dealers shall be at least (1) "Aa3" or higher as determined by Moody's Investors Service Inc., (2) "AA-" or higher as determined by Standard & Poor's Ratings Services, a division of The McGraw-Hill

Companies, Inc. or (3) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties, provided, however, that, in any case, if Market Quotations cannot be determined by four (4) such dealers, the party making the determination of the Market Quotation may designate, with the consent of the other party and Swap Insurer, one (1) or more leading dealers whose long-term senior debt bears a lower investment grade rating.

(xix) Opinions. All opinions delivered with respect to an Insured Transaction pursuant to Section 4(a) of this Agreement shall also be delivered to Swap Insurer at the address set forth in Section 12(a) of this Agreement.

[SIGNATURE PAGE WILL FOLLOW]

**Royal Bank of Canada**

("Party A")

By: _____

Name:

Title: IRENE KLAUSMANN
AUTHORIZED SIGNATORY

**Richmond Community Redevelopment Agency**

("Party B")

By: _____

Name:

Title:

By: _____

Name:

Title:

**Royal Bank of Canada**

("Party A")

By: _____

Name:

Title: IRENE KLAUSMANN
AUTHORIZED SIGNATORY

**Richmond Community Redevelopment Agency**

("Party B")

By: _____

Name: Steven Duran

Title: Executive Director

By: _____

Name:

Title:

RBC Capital Markets

Fax # 1-510-620-6522

**26 June 2007**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

**1401 MARINA WAY SOUTH**
**RICHMOND, CA**
**USA, 94804**

**Attention:** **SUSAN SEGOVIA**

Re: **SWAP** Transaction MATURING **01 Sep 2036** FOR **USD 65,400,000.00**

(Our Ref. No. **1479656 / 1521329)**

Dear Sir or Madam:

The purpose of this letter is to set forth the terms and conditions of the Transactions entered into between us on the Trade Date specified below (the Transaction). This letter constitutes a Confirmation as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of **June 26, 2007**, as amended and supplemented from time to time (the "Agreement") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:-

| | |
|---|---|
| Notional Amount: | **USD 65,400,000.00 (subject to reduction as set forth in the attached amortization schedules)** |
| Trade Date: | **26 Jun 2007** |
| Effective Date: | **12 Jul 2007** |
| Termination Date: | **01 Sep 2036** |

**Fixed Amounts:**

| | |
|---|---|
| Fixed Notional Amount: | **USD 65,400,000.00 (see Schedule A attached)** |
| Fixed Rate Payer: | **RICHMOND COMMUNITY REDEVELOPMENT AGENCY** |
| Fixed Rate Payer Period End Dates: | **Initially, Thursday, 16 Aug 2007 and then each fifth Thursday, thereafter to and including the Termination Date, and there will be no adjustment to the Calculation Periods.** |
| Fixed Rate Payer Payment Dates: | **One Business Day prior to each Fixed Rate Payer Period End Date.** |
| Fixed Rate: | **3.99000 percent** |
| Fixed Rate Day Count Fraction: | **30/360** |
| Business Day: | **London, New York** |
| Fee: | **Not applicable.** |

**Floating Amounts:**

| | |
|---|---|
| Floating Notional Amount: | **USD 65,400,000.00 (see Schedule A attached)** |
| Floating Rate Payer: | **ROYAL BANK OF CANADA** |
| Spread | **0.00000 percent** |
| Floating Rate Payer Period End Dates: | **Initially, Thursday, 16 Aug 2007 and then each fifth Thursday, thereafter to and including the Termination Date, and there will be no adjustment to the Calculation Periods.** |
| Floating Rate Payer Payment Dates: | **One Business Day prior to each Floating Rate Payer Period End Date.** |
| Floating Rate for initial Calculation Period: | **To be determined** |
| Floating Rate Option: | **USD-LIBOR-BBA * 68%** |

| | |
|---|---|
| Designated Maturity: | **1MONTH** |
| Floating Rate Day Count Fraction: | **Actual/360** |
| Reset Dates: | **The first day of each Calculation Period, provided that the words "the day that is two London Banking Days preceding that Reset Date" contained in the definitions of USD-LIBOR-BBA and USD-LIBOR-Reference Banks in Section 7.1 of the Definitions shall be replaced with "the day that is one London Banking Day preceding that Floating Rate Reset Date that is both a London Banking Day and A Business Day."** |
| Business Day: | **London, New York** |
| Compounding: | **Not applicable.** |
| Fee: | **Not applicable.** |

**3. Account Details**

| | | |
|---|---|---|
| Payments to | **ROYAL BANK OF CANADA** | **CHASUS33**<br>**JPMORGAN CHASE BANK N.A. NEW YORK**<br>**Account #: 001-1-153004**<br>**ROYCCAT3IMM** |
| Payments to | **RICHMOND COMMUNITY REDEVELOPMENT AGENCY** | **UNION BANK OF CALIFORNIA**<br>**MONTEREY PARK**<br>**//FW122000496**<br>**Account of: 37130196431 TRUSDG**<br>**F/F/C 671182900 RICHMOND RDA 2007A**<br>**ATTN JAMES MYERS** |

**4. Offices:**

(a) The Office of **RICHMOND COMMUNITY REDEVELOPMENT AGENCY** for the Transaction is:

**1401 MARINA WAY SOUTH**
**RICHMOND, CA**
**USA, 94804**

(b) The Office of **ROYAL BANK OF CANADA** for the Transaction is:

**5TH FL N TWR ROYAL BANK PLAZA**
**TORONTO, ON**
**CANADA, M5J 2W7**

**5. Other.**

**(1) OPTIONAL TERMINATION**

With respect to this Transaction, RICHMOND COMMUNITY REDEVELOPMENT AGENCY ("Party B") shall, with the prior written consent of the Swap Insurer, have and is hereby granted an option to terminate this Transaction (the "Termination Option"), in whole or in part, by designating to ROYAL BANK OF CANADA ("Party A") in writing at any time an Early Termination Date; provided that Party B may only exercise its Termination Option if Party B has provided Party A with evidence satisfactory to Party A of Party B's ability to pay any amount due upon the Early Termination Date to Party A from Party B pursuant to Section 6(e) of the Agreement and such

payment will not cause Party B to be in violation of, or in default under, the Covered Agreement. Notwithstanding the foregoing, Party B shall not be required to obtain the Swap Insurer's prior written consent if the swap is being terminated, in whole or in part, other than pursuant to the amortization schedule attached hereto in connection with a redemption or prepayment of the Series 2007A Subordinate Tax Allocation bonds and the remaining notional amount of the swap will not be greater than the remaining principal amount of the Bonds following such redemption or prepayment. Exercise of such Termination Option by Party B shall for all purposes of the Agreement (other than designation of the Early Termination Date, which designation shall be made by Party B) be treated as an Additional Termination Ev ent, with respect to which Party B shall be the sole Affected Party. Payment, if any, due upon Early Termination of the Agreement as a result of the exercise by Party B of the Termination Option shall be determined by the Calculation Agent (as defined in the Schedule to the Agreement) using its commercially reasonable judgment.

If a Transaction is to be terminated in part, the notice thereof provided by Party B shall specify the portion of the Notional Amount of such Transaction to be terminated, and the parties shall execute an amendment to the Confirmation for such Transaction to reflect the revised Notional Amount and amortization thereof.

**(2) ISSUANCE OF BONDS**

(A) Delayed Issuance: Notwithstanding anything contained herein or in the Agreement to the contrary, if, as of the Effective Date, the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds, Series 2007A (the "Bonds") have not been duly issued by Party B, the date on which the Bonds are duly issued (the "Adjusted Effective Date") shall be treated as if it were the Effective Date for all purposes of the Transaction, provided, however, that (a) the Adjusted Effective Date shall not be later than the date that is 45 days after the Effective Date and (b) the Fixed Rate shall be adjusted (the "Adjusted Fixed Rate"), pursuant to mutual agreement by the Parties and taking into account then-prevailing market conditions, as necessary to preserve the relative economic positions of the parties absent the delay and accompanying adjustments to Effective Date and the Fixed Rate.

(B) Non-Issuance: For purposes of this transaction, it shall constitute an Additional Termination Event if the Bonds have not been duly issued by the date that is 45 calendar days after the Effective Date, or such earlier date as may be mutually agreed upon by the parties. Solely for the purpose of this Additional Termination Event and the calculation of payments due to any Early Termination Date resulting from this Additional Termination Event under Section 6(e) of the Agreement, (i) the Fixed Rate on the Transaction will be 3.930% and (ii) the then-current market rate will be the so-called mid-market rate as mutually agreed by the Parties.

This Confirmation may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case upon your confirmation in the manner prescribed hereunder, will be deemed for all purposes to be a legally binding transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing in the space provided below and returning same to us by facsimile transmission, or send to us within two (2) Business Days a letter by facsimile transmission or telex or electronic messaging system similar to this letter which sets forth the material terms of the foregoing Transaction to which this Confirmation relates and which indicates your agreement to those terms.

Royal Bank of Canada confirms, and **RICHMOND COMMUNITY REDEVELOPMENT AGENCY** acknowledges, that this Confirmation has been executed by Royal Bank of Canada by means of a computer-based system and that such execution shall have the same legal effect as if a signature had been manually written on such Confirmation and that such Confirmation shall be deemed to have been signed by Royal Bank of Canada for the purposes of any statute or rule of law that requires such Confirmation to be signed. The parties acknowledge that in any legal proceedings between them respecting or in any way relating to this Confirmation, each party expressly waives any right to raise any defense or waiver of liability based upon the execution of this Confirmation by Royal Bank of Canada by means of an electronically-produced signature.

| | | | |
|---|---|---|---|
| Telephone No.: | **416-842-5106 OR 4580 (Yvonne R. Singh OR Sueyen Caza)** | Facsimile No.: | **416-842-4902** |

Yours sincerely,

For and on behalf of

**ROYAL BANK OF CANADA**

By: _____

Authorized signature

**Debbie Pang, Assistant Manager**

Confirmed as of the date first written:

For and on behalf of

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____

Authorized signature

This Confirmation may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case upon your confirmation in the manner prescribed hereunder, will be deemed for all purposes to be a legally binding transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing in the space provided below and returning same to us by facsimile transmission, or send to us within two (2) Business Days a letter by facsimile transmission or telex or electronic messaging system similar to this letter which sets forth the material terms of the foregoing Transaction to which this Confirmation relates and which indicates your agreement to those terms.

Royal Bank of Canada confirms, and **RICHMOND COMMUNITY REDEVELOPMENT AGENCY** acknowledges, that this Confirmation has been executed by Royal Bank of Canada by means of a computer-based system and that such execution shall have the same legal effect as if a signature had been manually written on such Confirmation and that such Confirmation shall be deemed to have been signed by Royal Bank of Canada for the purposes of any statute or rule of law that requires such Confirmation to be signed. The parties acknowledge that in any legal proceedings between them respecting or in any way relating to this Confirmation, each party expressly waives any right to raise any defense or waiver of liability based upon the execution of this Confirmation by Royal Bank of Canada by means of an electronically-produced signature.

Telephone No.: **416-842-5106 OR 4580 (Yvonne R. Singh OR Sueyen Caza)**

Facsimile No.: **416-842-4902**

Yours sincerely,

For and on behalf of

**ROYAL BANK OF CANADA**

By: _____

Authorized signature

**Debbie Pang, Assistant Manager**

Confirmed as of the date first written:

For and on behalf of

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____

Authorized signature

Steven Duran
Executive Director

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY pays USD Fixed to ROYAL BANK OF CANADA**

(Our Ref. No. **1481811 / 1521329**)

| Calc Date | Period Begin | Period End | Days | Interest Date | Principal Date | Payment Amount | Principal Payments | Interest Payments | Interest Rate | Spread Rate | Schedule A |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12 Jul 2007 | 16 Aug 2007 | 35 | 15 Aug 2007 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 16 Aug 2007 | 20 Sep 2007 | 35 | 19 Sep 2007 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 20 Sep 2007 | 25 Oct 2007 | 35 | 24 Oct 2007 | | 253,697.50 | 0.00 | 253,697.50 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 25 Oct 2007 | 29 Nov 2007 | 35 | 28 Nov 2007 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 29 Nov 2007 | 03 Jan 2008 | 35 | 02 Jan 2008 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 03 Jan 2008 | 07 Feb 2008 | 35 | 06 Feb 2008 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 07 Feb 2008 | 13 Mar 2008 | 35 | 12 Mar 2008 | | 260,946.00 | 0.00 | 260,946.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 13 Mar 2008 | 17 Apr 2008 | 35 | 16 Apr 2008 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 17 Apr 2008 | 22 May 2008 | 35 | 21 May 2008 | | 253,697.50 | 0.00 | 253,697.50 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 22 May 2008 | 26 Jun 2008 | 35 | 25 Jun 2008 | | 246,449.00 | 0.00 | 246,449.00 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 26 Jun 2008 | 31 Jul 2008 | 35 | 30 Jul 2008 | | 253,697.50 | 0.00 | 253,697.50 | 3.99000 | 0.00000 | 65,400,000.00 |
| | 31 Jul 2008 | 04 Sep 2008 | 35 | 03 Sep 2008 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 04 Sep 2008 | 09 Oct 2008 | 35 | 08 Oct 2008 | | 249,333.44 | 0.00 | 249,333.44 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 09 Oct 2008 | 13 Nov 2008 | 35 | 12 Nov 2008 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 13 Nov 2008 | 18 Dec 2008 | 35 | 17 Dec 2008 | | 249,333.44 | 0.00 | 249,333.44 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 18 Dec 2008 | 22 Jan 2009 | 35 | 21 Jan 2009 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 22 Jan 2009 | 26 Feb 2009 | 35 | 25 Feb 2009 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 26 Feb 2009 | 02 Apr 2009 | 35 | 01 Apr 2009 | | 256,457.25 | 0.00 | 256,457.25 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 02 Apr 2009 | 07 May 2009 | 35 | 06 May 2009 | | 249,333.44 | 0.00 | 249,333.44 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 07 May 2009 | 11 Jun 2009 | 35 | 10 Jun 2009 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 11 Jun 2009 | 16 Jul 2009 | 35 | 15 Jul 2009 | | 249,333.44 | 0.00 | 249,333.44 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 16 Jul 2009 | 20 Aug 2009 | 35 | 19 Aug 2009 | | 242,209.63 | 0.00 | 242,209.63 | 3.99000 | 0.00000 | 64,275,000.00 |
| | 20 Aug 2009 | 24 Sep 2009 | 35 | 23 Sep 2009 | | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 24 Sep 2009 | 29 Oct 2009 | 35 | 28 Oct 2009 | 243,417.71 | 0.00 | 243,417.71 | 3.99000 | 0.00000 | 62,750,000.00 |
| 29 Oct 2009 | 03 Dec 2009 | 35 | 02 Dec 2009 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 03 Dec 2009 | 07 Jan 2010 | 35 | 06 Jan 2010 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 07 Jan 2010 | 11 Feb 2010 | 35 | 10 Feb 2010 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 11 Feb 2010 | 18 Mar 2010 | 35 | 17 Mar 2010 | 257,327.29 | 0.00 | 257,327.29 | 3.99000 | 0.00000 | 62,750,000.00 |
| 18 Mar 2010 | 22 Apr 2010 | 35 | 21 Apr 2010 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 22 Apr 2010 | 27 May 2010 | 35 | 26 May 2010 | 243,417.71 | 0.00 | 243,417.71 | 3.99000 | 0.00000 | 62,750,000.00 |
| 27 May 2010 | 01 Jul 2010 | 35 | 30 Jun 2010 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 01 Jul 2010 | 05 Aug 2010 | 35 | 04 Aug 2010 | 236,462.92 | 0.00 | 236,462.92 | 3.99000 | 0.00000 | 62,750,000.00 |
| 05 Aug 2010 | 09 Sep 2010 | 35 | 08 Sep 2010 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 09 Sep 2010 | 14 Oct 2010 | 35 | 13 Oct 2010 | 237,211.04 | 0.00 | 237,211.04 | 3.99000 | 0.00000 | 61,150,000.00 |
| 14 Oct 2010 | 18 Nov 2010 | 35 | 17 Nov 2010 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 18 Nov 2010 | 23 Dec 2010 | 35 | 22 Dec 2010 | 237,211.04 | 0.00 | 237,211.04 | 3.99000 | 0.00000 | 61,150,000.00 |
| 23 Dec 2010 | 27 Jan 2011 | 35 | 26 Jan 2011 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 27 Jan 2011 | 03 Mar 2011 | 35 | 02 Mar 2011 | 243,988.50 | 0.00 | 243,988.50 | 3.99000 | 0.00000 | 61,150,000.00 |
| 03 Mar 2011 | 07 Apr 2011 | 35 | 06 Apr 2011 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 07 Apr 2011 | 12 May 2011 | 35 | 11 May 2011 | 237,211.04 | 0.00 | 237,211.04 | 3.99000 | 0.00000 | 61,150,000.00 |
| 12 May 2011 | 16 Jun 2011 | 35 | 15 Jun 2011 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 16 Jun 2011 | 21 Jul 2011 | 35 | 20 Jul 2011 | 237,211.04 | 0.00 | 237,211.04 | 3.99000 | 0.00000 | 61,150,000.00 |
| 21 Jul 2011 | 25 Aug 2011 | 35 | 24 Aug 2011 | 230,433.58 | 0.00 | 230,433.58 | 3.99000 | 0.00000 | 61,150,000.00 |
| 25 Aug 2011 | 29 Sep 2011 | 35 | 28 Sep 2011 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |
| 29 Sep 2011 | 03 Nov 2011 | 35 | 02 Nov 2011 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |
| 03 Nov 2011 | 08 Dec 2011 | 35 | 07 Dec 2011 | 230,713.44 | 0.00 | 230,713.44 | 3.99000 | 0.00000 | 59,475,000.00 |
| 08 Dec 2011 | 12 Jan 2012 | 35 | 11 Jan 2012 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |
| 12 Jan 2012 | 16 Feb 2012 | 35 | 15 Feb 2012 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |
| 16 Feb 2012 | 22 Mar 2012 | 35 | 21 Mar 2012 | 237,305.25 | 0.00 | 237,305.25 | 3.99000 | 0.00000 | 59,475,000.00 |
| 22 Mar 2012 | 26 Apr 2012 | 35 | 25 Apr 2012 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 26 Apr 2012 | 31 May 2012 | 35 | 30 May 2012 | 230,713.44 | 0.00 | 230,713.44 | 3.99000 | 0.00000 | 59,475,000.00 |
| 31 May 2012 | 05 Jul 2012 | 35 | 03 Jul 2012 | 230,713.44 | 0.00 | 230,713.44 | 3.99000 | 0.00000 | 59,475,000.00 |
| 05 Jul 2012 | 09 Aug 2012 | 35 | 08 Aug 2012 | 224,121.63 | 0.00 | 224,121.63 | 3.99000 | 0.00000 | 59,475,000.00 |
| 09 Aug 2012 | 13 Sep 2012 | 35 | 12 Sep 2012 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 13 Sep 2012 | 18 Oct 2012 | 35 | 17 Oct 2012 | 223,924.90 | 0.00 | 223,924.90 | 3.99000 | 0.00000 | 57,725,000.00 |
| 18 Oct 2012 | 22 Nov 2012 | 35 | 21 Nov 2012 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 22 Nov 2012 | 27 Dec 2012 | 35 | 24 Dec 2012 | 223,924.90 | 0.00 | 223,924.90 | 3.99000 | 0.00000 | 57,725,000.00 |
| 27 Dec 2012 | 31 Jan 2013 | 35 | 30 Jan 2013 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 31 Jan 2013 | 07 Mar 2013 | 35 | 06 Mar 2013 | 236,720.60 | 0.00 | 236,720.60 | 3.99000 | 0.00000 | 57,725,000.00 |
| 07 Mar 2013 | 11 Apr 2013 | 35 | 10 Apr 2013 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 11 Apr 2013 | 16 May 2013 | 35 | 15 May 2013 | 223,924.90 | 0.00 | 223,924.90 | 3.99000 | 0.00000 | 57,725,000.00 |
| 16 May 2013 | 20 Jun 2013 | 35 | 19 Jun 2013 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 20 Jun 2013 | 25 Jul 2013 | 35 | 24 Jul 2013 | 223,924.90 | 0.00 | 223,924.90 | 3.99000 | 0.00000 | 57,725,000.00 |
| 25 Jul 2013 | 29 Aug 2013 | 35 | 28 Aug 2013 | 217,527.04 | 0.00 | 217,527.04 | 3.99000 | 0.00000 | 57,725,000.00 |
| 29 Aug 2013 | 03 Oct 2013 | 35 | 02 Oct 2013 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 03 Oct 2013 | 07 Nov 2013 | 35 | 06 Nov 2013 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 07 Nov 2013 | 12 Dec 2013 | 35 | 11 Dec 2013 | 216,845.42 | 0.00 | 216,845.42 | 3.99000 | 0.00000 | 55,900,000.00 |
| 12 Dec 2013 | 16 Jan 2014 | 35 | 15 Jan 2014 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 16 Jan 2014 | 20 Feb 2014 | 35 | 19 Feb 2014 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 20 Feb 2014 | 27 Mar 2014 | 35 | 26 Mar 2014 | 229,236.58 | 0.00 | 229,236.58 | 3.99000 | 0.00000 | 55,900,000.00 |
| 27 Mar 2014 | 01 May 2014 | 35 | 30 Apr 2014 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 01 May 2014 | 05 Jun 2014 | 35 | 04 Jun 2014 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 05 Jun 2014 | 10 Jul 2014 | 35 | 09 Jul 2014 | 216,845.42 | 0.00 | 216,845.42 | 3.99000 | 0.00000 | 55,900,000.00 |
| 10 Jul 2014 | 14 Aug 2014 | 35 | 13 Aug 2014 | 210,649.83 | 0.00 | 210,649.83 | 3.99000 | 0.00000 | 55,900,000.00 |
| 14 Aug 2014 | 18 Sep 2014 | 35 | 17 Sep 2014 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 18 Sep 2014 | 23 Oct 2014 | 35 | 22 Oct 2014 | 209,475.00 | 0.00 | 209,475.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 23 Oct 2014 | 27 Nov 2014 | 35 | 26 Nov 2014 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 27 Nov 2014 | 01 Jan 2015 | 35 | 31 Dec 2014 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 01 Jan 2015 | 05 Feb 2015 | 35 | 04 Feb 2015 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 05 Feb 2015 | 12 Mar 2015 | 35 | 11 Mar 2015 | 221,445.00 | 0.00 | 221,445.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 12 Mar 2015 | 16 Apr 2015 | 35 | 15 Apr 2015 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 16 Apr 2015 | 21 May 2015 | 35 | 20 May 2015 | 209,475.00 | 0.00 | 209,475.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 21 May 2015 | 25 Jun 2015 | 35 | 24 Jun 2015 | 203,490.00 | 0.00 | 203,490.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 25 Jun 2015 | 30 Jul 2015 | 35 | 29 Jul 2015 | 209,475.00 | 0.00 | 209,475.00 | 3.99000 | 0.00000 | 54,000,000.00 |
| 30 Jul 2015 | 03 Sep 2015 | 35 | 02 Sep 2015 | 190,190.00 | 0.00 | 190,190.00 | 3.99000 | 0.00000 | 52,000,000.00 |
| 03 Sep 2015 | 08 Oct 2015 | 35 | 07 Oct 2015 | 201,716.67 | 0.00 | 201,716.67 | 3.99000 | 0.00000 | 52,000,000.00 |
| 08 Oct 2015 | 12 Nov 2015 | 35 | 10 Nov 2015 | 195,953.33 | 0.00 | 195,953.33 | 3.99000 | 0.00000 | 52,000,000.00 |
| 12 Nov 2015 | 17 Dec 2015 | 35 | 16 Dec 2015 | 201,716.67 | 0.00 | 201,716.67 | 3.99000 | 0.00000 | 52,000,000.00 |
| 17 Dec 2015 | 21 Jan 2016 | 35 | 20 Jan 2016 | 195,953.33 | 0.00 | 195,953.33 | 3.99000 | 0.00000 | 52,000,000.00 |
| 21 Jan 2016 | 25 Feb 2016 | 35 | 24 Feb 2016 | 195,953.33 | 0.00 | 195,953.33 | 3.99000 | 0.00000 | 52,000,000.00 |
| 25 Feb 2016 | 31 Mar 2016 | 35 | 30 Mar 2016 | 207,480.00 | 0.00 | 207,480.00 | 3.99000 | 0.00000 | 52,000,000.00 |
| 31 Mar 2016 | 05 May 2016 | 35 | 04 May 2016 | 201,716.67 | 0.00 | 201,716.67 | 3.99000 | 0.00000 | 52,000,000.00 |
| 05 May 2016 | 09 Jun 2016 | 35 | 08 Jun 2016 | 195,953.33 | 0.00 | 195,953.33 | 3.99000 | 0.00000 | 52,000,000.00 |
| 09 Jun 2016 | 14 Jul 2016 | 35 | 13 Jul 2016 | 201,716.67 | 0.00 | 201,716.67 | 3.99000 | 0.00000 | 52,000,000.00 |
| 14 Jul 2016 | 18 Aug 2016 | 35 | 17 Aug 2016 | 195,953.33 | 0.00 | 195,953.33 | 3.99000 | 0.00000 | 52,000,000.00 |
| 18 Aug 2016 | 22 Sep 2016 | 35 | 21 Sep 2016 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 22 Sep 2016 | 27 Oct 2016 | 35 | 26 Oct 2016 | 193,570.42 | 0.00 | 193,570.42 | 3.99000 | 0.00000 | 49,900,000.00 |
| 27 Oct 2016 | 01 Dec 2016 | 35 | 30 Nov 2016 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 01 Dec 2016 | 05 Jan 2017 | 35 | 04 Jan 2017 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 05 Jan 2017 | 09 Feb 2017 | 35 | 08 Feb 2017 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 09 Feb 2017 | 16 Mar 2017 | 35 | 15 Mar 2017 | 204,631.58 | 0.00 | 204,631.58 | 3.99000 | 0.00000 | 49,900,000.00 |
| 16 Mar 2017 | 20 Apr 2017 | 35 | 19 Apr 2017 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 20 Apr 2017 | 25 May 2017 | 35 | 24 May 2017 | 193,570.42 | 0.00 | 193,570.42 | 3.99000 | 0.00000 | 49,900,000.00 |
| 25 May 2017 | 29 Jun 2017 | 35 | 28 Jun 2017 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 29 Jun 2017 | 03 Aug 2017 | 35 | 02 Aug 2017 | 188,039.83 | 0.00 | 188,039.83 | 3.99000 | 0.00000 | 49,900,000.00 |
| 03 Aug 2017 | 07 Sep 2017 | 35 | 06 Sep 2017 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 07 Sep 2017 | 12 Oct 2017 | 35 | 11 Oct 2017 | 185,036.25 | 0.00 | 185,036.25 | 3.99000 | 0.00000 | 47,700,000.00 |
| 12 Oct 2017 | 16 Nov 2017 | 35 | 15 Nov 2017 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 16 Nov 2017 | 21 Dec 2017 | 35 | 20 Dec 2017 | 185,036.25 | 0.00 | 185,036.25 | 3.99000 | 0.00000 | 47,700,000.00 |
| 21 Dec 2017 | 25 Jan 2018 | 35 | 24 Jan 2018 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 25 Jan 2018 | 01 Mar 2018 | 35 | 28 Feb 2018 | 190,323.00 | 0.00 | 190,323.00 | 3.99000 | 0.00000 | 47,700,000.00 |
| 01 Mar 2018 | 05 Apr 2018 | 35 | 04 Apr 2018 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 05 Apr 2018 | 10 May 2018 | 35 | 09 May 2018 | 185,036.25 | 0.00 | 185,036.25 | 3.99000 | 0.00000 | 47,700,000.00 |
| 10 May 2018 | 14 Jun 2018 | 35 | 13 Jun 2018 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 14 Jun 2018 | 19 Jul 2018 | 35 | 18 Jul 2018 | 185,036.25 | 0.00 | 185,036.25 | 3.99000 | 0.00000 | 47,700,000.00 |
| 19 Jul 2018 | 23 Aug 2018 | 35 | 22 Aug 2018 | 179,749.50 | 0.00 | 179,749.50 | 3.99000 | 0.00000 | 47,700,000.00 |
| 23 Aug 2018 | 27 Sep 2018 | 35 | 26 Sep 2018 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 27 Sep 2018 | 01 Nov 2018 | 35 | 31 Oct 2018 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 01 Nov 2018 | 06 Dec 2018 | 35 | 05 Dec 2018 | 176,211.15 | 0.00 | 176,211.15 | 3.99000 | 0.00000 | 45,425,000.00 |
| 06 Dec 2018 | 10 Jan 2019 | 35 | 09 Jan 2019 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 10 Jan 2019 | 14 Feb 2019 | 35 | 13 Feb 2019 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 14 Feb 2019 | 21 Mar 2019 | 35 | 20 Mar 2019 | 186,280.35 | 0.00 | 186,280.35 | 3.99000 | 0.00000 | 45,425,000.00 |
| 21 Mar 2019 | 25 Apr 2019 | 35 | 24 Apr 2019 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 25 Apr 2019 | 30 May 2019 | 35 | 29 May 2019 | 176,211.15 | 0.00 | 176,211.15 | 3.99000 | 0.00000 | 45,425,000.00 |
| 30 May 2019 | 04 Jul 2019 | 35 | 03 Jul 2019 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 04 Jul 2019 | 08 Aug 2019 | 35 | 07 Aug 2019 | 171,176.54 | 0.00 | 171,176.54 | 3.99000 | 0.00000 | 45,425,000.00 |
| 08 Aug 2019 | 12 Sep 2019 | 35 | 11 Sep 2019 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |
| 12 Sep 2019 | 17 Oct 2019 | 35 | 16 Oct 2019 | 168,452.81 | 0.00 | 168,452.81 | 3.99000 | 0.00000 | 43,425,000.00 |
| 17 Oct 2019 | 21 Nov 2019 | 35 | 20 Nov 2019 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |
| 21 Nov 2019 | 26 Dec 2019 | 35 | 24 Dec 2019 | 168,452.81 | 0.00 | 168,452.81 | 3.99000 | 0.00000 | 43,425,000.00 |
| 26 Dec 2019 | 30 Jan 2020 | 35 | 29 Jan 2020 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 Jan 2020 | 05 Mar 2020 | 35 | 04 Mar 2020 | 168,452.81 | 0.00 | 168,452.81 | 3.99000 | 0.00000 | 43,425,000.00 |
| 05 Mar 2020 | 09 Apr 2020 | 35 | 08 Apr 2020 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |
| 09 Apr 2020 | 14 May 2020 | 35 | 13 May 2020 | 168,452.81 | 0.00 | 168,452.81 | 3.99000 | 0.00000 | 43,425,000.00 |
| 14 May 2020 | 18 Jun 2020 | 35 | 17 Jun 2020 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |
| 18 Jun 2020 | 23 Jul 2020 | 35 | 22 Jul 2020 | 168,452.81 | 0.00 | 168,452.81 | 3.99000 | 0.00000 | 43,425,000.00 |
| 23 Jul 2020 | 27 Aug 2020 | 35 | 26 Aug 2020 | 163,639.88 | 0.00 | 163,639.88 | 3.99000 | 0.00000 | 43,425,000.00 |
| 27 Aug 2020 | 01 Oct 2020 | 35 | 30 Sep 2020 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 01 Oct 2020 | 05 Nov 2020 | 35 | 04 Nov 2020 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 05 Nov 2020 | 10 Dec 2020 | 35 | 09 Dec 2020 | 151,869.38 | 0.00 | 151,869.38 | 3.99000 | 0.00000 | 39,150,000.00 |
| 10 Dec 2020 | 14 Jan 2021 | 35 | 13 Jan 2021 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 14 Jan 2021 | 18 Feb 2021 | 35 | 17 Feb 2021 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 18 Feb 2021 | 25 Mar 2021 | 35 | 24 Mar 2021 | 160,547.63 | 0.00 | 160,547.63 | 3.99000 | 0.00000 | 39,150,000.00 |
| 25 Mar 2021 | 29 Apr 2021 | 35 | 28 Apr 2021 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 29 Apr 2021 | 03 Jun 2021 | 35 | 02 Jun 2021 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 03 Jun 2021 | 08 Jul 2021 | 35 | 07 Jul 2021 | 151,869.38 | 0.00 | 151,869.38 | 3.99000 | 0.00000 | 39,150,000.00 |
| 08 Jul 2021 | 12 Aug 2021 | 35 | 11 Aug 2021 | 147,530.25 | 0.00 | 147,530.25 | 3.99000 | 0.00000 | 39,150,000.00 |
| 12 Aug 2021 | 16 Sep 2021 | 35 | 15 Sep 2021 | 140,841.46 | 0.00 | 140,841.46 | 3.99000 | 0.00000 | 37,375,000.00 |
| 16 Sep 2021 | 21 Oct 2021 | 35 | 20 Oct 2021 | 144,983.85 | 0.00 | 144,983.85 | 3.99000 | 0.00000 | 37,375,000.00 |
| 21 Oct 2021 | 25 Nov 2021 | 35 | 24 Nov 2021 | 140,841.46 | 0.00 | 140,841.46 | 3.99000 | 0.00000 | 37,375,000.00 |
| 25 Nov 2021 | 30 Dec 2021 | 35 | 29 Dec 2021 | 144,983.85 | 0.00 | 144,983.85 | 3.99000 | 0.00000 | 37,375,000.00 |
| 30 Dec 2021 | 03 Feb 2022 | 35 | 02 Feb 2022 | 136,699.06 | 0.00 | 136,699.06 | 3.99000 | 0.00000 | 37,375,000.00 |
| 03 Feb 2022 | 10 Mar 2022 | 35 | 09 Mar 2022 | 153,268.65 | 0.00 | 153,268.65 | 3.99000 | 0.00000 | 37,375,000.00 |
| 10 Mar 2022 | 14 Apr 2022 | 35 | 13 Apr 2022 | 140,841.46 | 0.00 | 140,841.46 | 3.99000 | 0.00000 | 37,375,000.00 |
| 14 Apr 2022 | 19 May 2022 | 35 | 18 May 2022 | 144,983.85 | 0.00 | 144,983.85 | 3.99000 | 0.00000 | 37,375,000.00 |
| 19 May 2022 | 23 Jun 2022 | 35 | 22 Jun 2022 | 140,841.46 | 0.00 | 140,841.46 | 3.99000 | 0.00000 | 37,375,000.00 |
| 23 Jun 2022 | 28 Jul 2022 | 35 | 27 Jul 2022 | 144,983.85 | 0.00 | 144,983.85 | 3.99000 | 0.00000 | 37,375,000.00 |
| 28 Jul 2022 | 01 Sep 2022 | 35 | 31 Aug 2022 | 136,699.06 | 0.00 | 136,699.06 | 3.99000 | 0.00000 | 37,375,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 01 Sep 2022 | 06 Oct 2022 | 35 | 05 Oct 2022 | 137,807.40 | 0.00 | 137,807.40 | 3.99000 | 0.00000 | 35,525,000.00 |
| 06 Oct 2022 | 10 Nov 2022 | 35 | 09 Nov 2022 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 10 Nov 2022 | 15 Dec 2022 | 35 | 14 Dec 2022 | 137,807.40 | 0.00 | 137,807.40 | 3.99000 | 0.00000 | 35,525,000.00 |
| 15 Dec 2022 | 19 Jan 2023 | 35 | 18 Jan 2023 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 19 Jan 2023 | 23 Feb 2023 | 35 | 22 Feb 2023 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 23 Feb 2023 | 30 Mar 2023 | 35 | 29 Mar 2023 | 145,682.10 | 0.00 | 145,682.10 | 3.99000 | 0.00000 | 35,525,000.00 |
| 30 Mar 2023 | 04 May 2023 | 35 | 03 May 2023 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 04 May 2023 | 08 Jun 2023 | 35 | 07 Jun 2023 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 08 Jun 2023 | 13 Jul 2023 | 35 | 12 Jul 2023 | 137,807.40 | 0.00 | 137,807.40 | 3.99000 | 0.00000 | 35,525,000.00 |
| 13 Jul 2023 | 17 Aug 2023 | 35 | 16 Aug 2023 | 133,870.04 | 0.00 | 133,870.04 | 3.99000 | 0.00000 | 35,525,000.00 |
| 17 Aug 2023 | 21 Sep 2023 | 35 | 20 Sep 2023 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 21 Sep 2023 | 26 Oct 2023 | 35 | 25 Oct 2023 | 123,551.46 | 0.00 | 123,551.46 | 3.99000 | 0.00000 | 31,850,000.00 |
| 26 Oct 2023 | 30 Nov 2023 | 35 | 29 Nov 2023 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 30 Nov 2023 | 04 Jan 2024 | 35 | 03 Jan 2024 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 04 Jan 2024 | 08 Feb 2024 | 35 | 07 Feb 2024 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 08 Feb 2024 | 14 Mar 2024 | 35 | 13 Mar 2024 | 127,081.50 | 0.00 | 127,081.50 | 3.99000 | 0.00000 | 31,850,000.00 |
| 14 Mar 2024 | 18 Apr 2024 | 35 | 17 Apr 2024 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 18 Apr 2024 | 23 May 2024 | 35 | 22 May 2024 | 123,551.46 | 0.00 | 123,551.46 | 3.99000 | 0.00000 | 31,850,000.00 |
| 23 May 2024 | 27 Jun 2024 | 35 | 26 Jun 2024 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 27 Jun 2024 | 01 Aug 2024 | 35 | 31 Jul 2024 | 120,021.42 | 0.00 | 120,021.42 | 3.99000 | 0.00000 | 31,850,000.00 |
| 01 Aug 2024 | 05 Sep 2024 | 35 | 04 Sep 2024 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 05 Sep 2024 | 10 Oct 2024 | 35 | 09 Oct 2024 | 115,405.21 | 0.00 | 115,405.21 | 3.99000 | 0.00000 | 29,750,000.00 |
| 10 Oct 2024 | 14 Nov 2024 | 35 | 13 Nov 2024 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 14 Nov 2024 | 19 Dec 2024 | 35 | 18 Dec 2024 | 115,405.21 | 0.00 | 115,405.21 | 3.99000 | 0.00000 | 29,750,000.00 |
| 19 Dec 2024 | 23 Jan 2025 | 35 | 22 Jan 2025 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 23 Jan 2025 | 27 Feb 2025 | 35 | 26 Feb 2025 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 27 Feb 2025 | 03 Apr 2025 | 35 | 02 Apr 2025 | 118,702.50 | 0.00 | 118,702.50 | 3.99000 | 0.00000 | 29,750,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 03 Apr 2025 | 08 May 2025 | 35 | 07 May 2025 | 115,405.21 | 0.00 | 115,405.21 | 3.99000 | 0.00000 | 29,750,000.00 |
| 08 May 2025 | 12 Jun 2025 | 35 | 11 Jun 2025 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 12 Jun 2025 | 17 Jul 2025 | 35 | 16 Jul 2025 | 115,405.21 | 0.00 | 115,405.21 | 3.99000 | 0.00000 | 29,750,000.00 |
| 17 Jul 2025 | 21 Aug 2025 | 35 | 20 Aug 2025 | 112,107.92 | 0.00 | 112,107.92 | 3.99000 | 0.00000 | 29,750,000.00 |
| 21 Aug 2025 | 25 Sep 2025 | 35 | 24 Sep 2025 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 25 Sep 2025 | 30 Oct 2025 | 35 | 29 Oct 2025 | 106,871.04 | 0.00 | 106,871.04 | 3.99000 | 0.00000 | 27,550,000.00 |
| 30 Oct 2025 | 04 Dec 2025 | 35 | 03 Dec 2025 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 04 Dec 2025 | 08 Jan 2026 | 35 | 07 Jan 2026 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 08 Jan 2026 | 12 Feb 2026 | 35 | 11 Feb 2026 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 12 Feb 2026 | 19 Mar 2026 | 35 | 18 Mar 2026 | 112,977.96 | 0.00 | 112,977.96 | 3.99000 | 0.00000 | 27,550,000.00 |
| 19 Mar 2026 | 23 Apr 2026 | 35 | 22 Apr 2026 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 23 Apr 2026 | 28 May 2026 | 35 | 27 May 2026 | 106,871.04 | 0.00 | 106,871.04 | 3.99000 | 0.00000 | 27,550,000.00 |
| 28 May 2026 | 02 Jul 2026 | 35 | 01 Jul 2026 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 02 Jul 2026 | 06 Aug 2026 | 35 | 05 Aug 2026 | 103,817.58 | 0.00 | 103,817.58 | 3.99000 | 0.00000 | 27,550,000.00 |
| 06 Aug 2026 | 10 Sep 2026 | 35 | 09 Sep 2026 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 10 Sep 2026 | 15 Oct 2026 | 35 | 14 Oct 2026 | 98,045.94 | 0.00 | 98,045.94 | 3.99000 | 0.00000 | 25,275,000.00 |
| 15 Oct 2026 | 19 Nov 2026 | 35 | 18 Nov 2026 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 19 Nov 2026 | 24 Dec 2026 | 35 | 23 Dec 2026 | 98,045.94 | 0.00 | 98,045.94 | 3.99000 | 0.00000 | 25,275,000.00 |
| 24 Dec 2026 | 28 Jan 2027 | 35 | 27 Jan 2027 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 28 Jan 2027 | 04 Mar 2027 | 35 | 03 Mar 2027 | 100,847.25 | 0.00 | 100,847.25 | 3.99000 | 0.00000 | 25,275,000.00 |
| 04 Mar 2027 | 08 Apr 2027 | 35 | 07 Apr 2027 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 08 Apr 2027 | 13 May 2027 | 35 | 12 May 2027 | 98,045.94 | 0.00 | 98,045.94 | 3.99000 | 0.00000 | 25,275,000.00 |
| 13 May 2027 | 17 Jun 2027 | 35 | 16 Jun 2027 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 17 Jun 2027 | 22 Jul 2027 | 35 | 21 Jul 2027 | 98,045.94 | 0.00 | 98,045.94 | 3.99000 | 0.00000 | 25,275,000.00 |
| 22 Jul 2027 | 26 Aug 2027 | 35 | 25 Aug 2027 | 95,244.63 | 0.00 | 95,244.63 | 3.99000 | 0.00000 | 25,275,000.00 |
| 26 Aug 2027 | 30 Sep 2027 | 35 | 29 Sep 2027 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 30 Sep 2027 | 04 Nov 2027 | 35 | 03 Nov 2027 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 04 Nov 2027 | 09 Dec 2027 | 35 | 08 Dec 2027 | 70,115.94 | 0.00 | 70,115.94 | 3.99000 | 0.00000 | 18,075,000.00 |
| 09 Dec 2027 | 13 Jan 2028 | 35 | 12 Jan 2028 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 13 Jan 2028 | 17 Feb 2028 | 35 | 16 Feb 2028 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 17 Feb 2028 | 23 Mar 2028 | 35 | 22 Mar 2028 | 72,119.25 | 0.00 | 72,119.25 | 3.99000 | 0.00000 | 18,075,000.00 |
| 23 Mar 2028 | 27 Apr 2028 | 35 | 26 Apr 2028 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 27 Apr 2028 | 01 Jun 2028 | 35 | 31 May 2028 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 01 Jun 2028 | 06 Jul 2028 | 35 | 05 Jul 2028 | 70,115.94 | 0.00 | 70,115.94 | 3.99000 | 0.00000 | 18,075,000.00 |
| 06 Jul 2028 | 10 Aug 2028 | 35 | 09 Aug 2028 | 68,112.63 | 0.00 | 68,112.63 | 3.99000 | 0.00000 | 18,075,000.00 |
| 10 Aug 2028 | 14 Sep 2028 | 35 | 13 Sep 2028 | 61,800.67 | 0.00 | 61,800.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 14 Sep 2028 | 19 Oct 2028 | 35 | 18 Oct 2028 | 63,618.33 | 0.00 | 63,618.33 | 3.99000 | 0.00000 | 16,400,000.00 |
| 19 Oct 2028 | 23 Nov 2028 | 35 | 22 Nov 2028 | 61,800.67 | 0.00 | 61,800.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 23 Nov 2028 | 28 Dec 2028 | 35 | 27 Dec 2028 | 63,618.33 | 0.00 | 63,618.33 | 3.99000 | 0.00000 | 16,400,000.00 |
| 28 Dec 2028 | 01 Feb 2029 | 35 | 31 Jan 2029 | 59,983.00 | 0.00 | 59,983.00 | 3.99000 | 0.00000 | 16,400,000.00 |
| 01 Feb 2029 | 08 Mar 2029 | 35 | 07 Mar 2029 | 67,253.67 | 0.00 | 67,253.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 08 Mar 2029 | 12 Apr 2029 | 35 | 11 Apr 2029 | 61,800.67 | 0.00 | 61,800.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 12 Apr 2029 | 17 May 2029 | 35 | 16 May 2029 | 63,618.33 | 0.00 | 63,618.33 | 3.99000 | 0.00000 | 16,400,000.00 |
| 17 May 2029 | 21 Jun 2029 | 35 | 20 Jun 2029 | 61,800.67 | 0.00 | 61,800.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 21 Jun 2029 | 26 Jul 2029 | 35 | 25 Jul 2029 | 63,618.33 | 0.00 | 63,618.33 | 3.99000 | 0.00000 | 16,400,000.00 |
| 26 Jul 2029 | 30 Aug 2029 | 35 | 29 Aug 2029 | 61,800.67 | 0.00 | 61,800.67 | 3.99000 | 0.00000 | 16,400,000.00 |
| 30 Aug 2029 | 04 Oct 2029 | 35 | 03 Oct 2029 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 04 Oct 2029 | 08 Nov 2029 | 35 | 07 Nov 2029 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 08 Nov 2029 | 13 Dec 2029 | 35 | 12 Dec 2029 | 56,829.79 | 0.00 | 56,829.79 | 3.99000 | 0.00000 | 14,650,000.00 |
| 13 Dec 2029 | 17 Jan 2030 | 35 | 16 Jan 2030 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 17 Jan 2030 | 21 Feb 2030 | 35 | 20 Feb 2030 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 21 Feb 2030 | 28 Mar 2030 | 35 | 27 Mar 2030 | 60,077.21 | 0.00 | 60,077.21 | 3.99000 | 0.00000 | 14,650,000.00 |
| 28 Mar 2030 | 02 May 2030 | 35 | 01 May 2030 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 02 May 2030 | 06 Jun 2030 | 35 | 05 Jun 2030 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 06 Jun 2030 | 11 Jul 2030 | 35 | 10 Jul 2030 | 56,829.79 | 0.00 | 56,829.79 | 3.99000 | 0.00000 | 14,650,000.00 |
| 11 Jul 2030 | 15 Aug 2030 | 35 | 14 Aug 2030 | 55,206.08 | 0.00 | 55,206.08 | 3.99000 | 0.00000 | 14,650,000.00 |
| 15 Aug 2030 | 19 Sep 2030 | 35 | 18 Sep 2030 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 19 Sep 2030 | 24 Oct 2030 | 35 | 23 Oct 2030 | 49,653.33 | 0.00 | 49,653.33 | 3.99000 | 0.00000 | 12,800,000.00 |
| 24 Oct 2030 | 28 Nov 2030 | 35 | 27 Nov 2030 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 28 Nov 2030 | 02 Jan 2031 | 35 | 31 Dec 2030 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 02 Jan 2031 | 06 Feb 2031 | 35 | 05 Feb 2031 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 06 Feb 2031 | 13 Mar 2031 | 35 | 12 Mar 2031 | 52,490.67 | 0.00 | 52,490.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 13 Mar 2031 | 17 Apr 2031 | 35 | 16 Apr 2031 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 17 Apr 2031 | 22 May 2031 | 35 | 21 May 2031 | 49,653.33 | 0.00 | 49,653.33 | 3.99000 | 0.00000 | 12,800,000.00 |
| 22 May 2031 | 26 Jun 2031 | 35 | 25 Jun 2031 | 48,234.67 | 0.00 | 48,234.67 | 3.99000 | 0.00000 | 12,800,000.00 |
| 26 Jun 2031 | 31 Jul 2031 | 35 | 30 Jul 2031 | 49,653.33 | 0.00 | 49,653.33 | 3.99000 | 0.00000 | 12,800,000.00 |
| 31 Jul 2031 | 04 Sep 2031 | 35 | 03 Sep 2031 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 04 Sep 2031 | 09 Oct 2031 | 35 | 08 Oct 2031 | 42,185.94 | 0.00 | 42,185.94 | 3.99000 | 0.00000 | 10,875,000.00 |
| 09 Oct 2031 | 13 Nov 2031 | 35 | 12 Nov 2031 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 13 Nov 2031 | 18 Dec 2031 | 35 | 17 Dec 2031 | 42,185.94 | 0.00 | 42,185.94 | 3.99000 | 0.00000 | 10,875,000.00 |
| 18 Dec 2031 | 22 Jan 2032 | 35 | 21 Jan 2032 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 22 Jan 2032 | 26 Feb 2032 | 35 | 25 Feb 2032 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 26 Feb 2032 | 01 Apr 2032 | 35 | 31 Mar 2032 | 42,185.94 | 0.00 | 42,185.94 | 3.99000 | 0.00000 | 10,875,000.00 |
| 01 Apr 2032 | 06 May 2032 | 35 | 05 May 2032 | 42,185.94 | 0.00 | 42,185.94 | 3.99000 | 0.00000 | 10,875,000.00 |
| 06 May 2032 | 10 Jun 2032 | 35 | 09 Jun 2032 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 10 Jun 2032 | 15 Jul 2032 | 35 | 14 Jul 2032 | 42,185.94 | 0.00 | 42,185.94 | 3.99000 | 0.00000 | 10,875,000.00 |
| 15 Jul 2032 | 19 Aug 2032 | 35 | 18 Aug 2032 | 40,980.62 | 0.00 | 40,980.62 | 3.99000 | 0.00000 | 10,875,000.00 |
| 19 Aug 2032 | 23 Sep 2032 | 35 | 22 Sep 2032 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 23 Sep 2032 | 28 Oct 2032 | 35 | 27 Oct 2032 | 34,427.60 | 0.00 | 34,427.60 | 3.99000 | 0.00000 | 8,875,000.00 |
| 28 Oct 2032 | 02 Dec 2032 | 35 | 01 Dec 2032 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 02 Dec 2032 | 06 Jan 2033 | 35 | 05 Jan 2033 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 06 Jan 2033 | 10 Feb 2033 | 35 | 09 Feb 2033 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 10 Feb 2033 | 17 Mar 2033 | 35 | 16 Mar 2033 | 36,394.90 | 0.00 | 36,394.90 | 3.99000 | 0.00000 | 8,875,000.00 |
| 17 Mar 2033 | 21 Apr 2033 | 35 | 20 Apr 2033 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 21 Apr 2033 | 26 May 2033 | 35 | 25 May 2033 | 34,427.60 | 0.00 | 34,427.60 | 3.99000 | 0.00000 | 8,875,000.00 |
| 26 May 2033 | 30 Jun 2033 | 35 | 29 Jun 2033 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 30 Jun 2033 | 04 Aug 2033 | 35 | 03 Aug 2033 | 33,443.96 | 0.00 | 33,443.96 | 3.99000 | 0.00000 | 8,875,000.00 |
| 04 Aug 2033 | 08 Sep 2033 | 35 | 07 Sep 2033 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 08 Sep 2033 | 13 Oct 2033 | 35 | 12 Oct 2033 | 26,378.33 | 0.00 | 26,378.33 | 3.99000 | 0.00000 | 6,800,000.00 |
| 13 Oct 2033 | 17 Nov 2033 | 35 | 16 Nov 2033 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 17 Nov 2033 | 22 Dec 2033 | 35 | 21 Dec 2033 | 26,378.33 | 0.00 | 26,378.33 | 3.99000 | 0.00000 | 6,800,000.00 |
| 22 Dec 2033 | 26 Jan 2034 | 35 | 25 Jan 2034 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 26 Jan 2034 | 02 Mar 2034 | 35 | 01 Mar 2034 | 27,132.00 | 0.00 | 27,132.00 | 3.99000 | 0.00000 | 6,800,000.00 |
| 02 Mar 2034 | 06 Apr 2034 | 35 | 05 Apr 2034 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 06 Apr 2034 | 11 May 2034 | 35 | 10 May 2034 | 26,378.33 | 0.00 | 26,378.33 | 3.99000 | 0.00000 | 6,800,000.00 |
| 11 May 2034 | 15 Jun 2034 | 35 | 14 Jun 2034 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 15 Jun 2034 | 20 Jul 2034 | 35 | 19 Jul 2034 | 26,378.33 | 0.00 | 26,378.33 | 3.99000 | 0.00000 | 6,800,000.00 |
| 20 Jul 2034 | 24 Aug 2034 | 35 | 23 Aug 2034 | 25,624.67 | 0.00 | 25,624.67 | 3.99000 | 0.00000 | 6,800,000.00 |
| 24 Aug 2034 | 28 Sep 2034 | 35 | 27 Sep 2034 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |
| 28 Sep 2034 | 02 Nov 2034 | 35 | 01 Nov 2034 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |
| 02 Nov 2034 | 07 Dec 2034 | 35 | 06 Dec 2034 | 17,941.15 | 0.00 | 17,941.15 | 3.99000 | 0.00000 | 4,625,000.00 |
| 07 Dec 2034 | 11 Jan 2035 | 35 | 10 Jan 2035 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |
| 11 Jan 2035 | 15 Feb 2035 | 35 | 14 Feb 2035 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |
| 15 Feb 2035 | 22 Mar 2035 | 35 | 21 Mar 2035 | 18,966.35 | 0.00 | 18,966.35 | 3.99000 | 0.00000 | 4,625,000.00 |
| 22 Mar 2035 | 26 Apr 2035 | 35 | 25 Apr 2035 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |
| 26 Apr 2035 | 31 May 2035 | 35 | 30 May 2035 | 17,941.15 | 0.00 | 17,941.15 | 3.99000 | 0.00000 | 4,625,000.00 |
| 31 May 2035 | 05 Jul 2035 | 35 | 03 Jul 2035 | 17,941.15 | 0.00 | 17,941.15 | 3.99000 | 0.00000 | 4,625,000.00 |
| 05 Jul 2035 | 09 Aug 2035 | 35 | 08 Aug 2035 | 17,428.54 | 0.00 | 17,428.54 | 3.99000 | 0.00000 | 4,625,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 09 Aug 2035 | 13 Sep 2035 | 35 | 12 Sep 2035 | 8,855.58 | 0.00 | 8,855.58 | 3.99000 | 0.00000 | 2,350,000.00 |
| 13 Sep 2035 | 18 Oct 2035 | 35 | 17 Oct 2035 | 9,116.04 | 0.00 | 9,116.04 | 3.99000 | 0.00000 | 2,350,000.00 |
| 18 Oct 2035 | 22 Nov 2035 | 35 | 21 Nov 2035 | 8,855.58 | 0.00 | 8,855.58 | 3.99000 | 0.00000 | 2,350,000.00 |
| 22 Nov 2035 | 27 Dec 2035 | 35 | 24 Dec 2035 | 9,116.04 | 0.00 | 9,116.04 | 3.99000 | 0.00000 | 2,350,000.00 |
| 27 Dec 2035 | 31 Jan 2036 | 35 | 30 Jan 2036 | 8,855.58 | 0.00 | 8,855.58 | 3.99000 | 0.00000 | 2,350,000.00 |
| 31 Jan 2036 | 06 Mar 2036 | 35 | 05 Mar 2036 | 9,376.50 | 0.00 | 9,376.50 | 3.99000 | 0.00000 | 2,350,000.00 |
| 06 Mar 2036 | 10 Apr 2036 | 35 | 09 Apr 2036 | 8,855.58 | 0.00 | 8,855.58 | 3.99000 | 0.00000 | 2,350,000.00 |
| 10 Apr 2036 | 15 May 2036 | 35 | 14 May 2036 | 9,116.04 | 0.00 | 9,116.04 | 3.99000 | 0.00000 | 2,350,000.00 |
| 15 May 2036 | 19 Jun 2036 | 35 | 18 Jun 2036 | 8,855.58 | 0.00 | 8,855.58 | 3.99000 | 0.00000 | 2,350,000.00 |
| 19 Jun 2036 | 24 Jul 2036 | 35 | 23 Jul 2036 | 9,116.04 | 0.00 | 9,116.04 | 3.99000 | 0.00000 | 2,350,000.00 |
| 24 Jul 2036 | 01 Sep 2036 | 39 | 29 Aug 2036 | 9,636.96 | 0.00 | 9,636.96 | 3.99000 | 0.00000 | 2,350,000.00 |

## ROYAL BANK OF CANADA pays USD Float to RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Our Ref. No. **1481811 / 1521329**)

| Calc Date | Period Begin | Period End | Days | Interest Date | Principal Date | Payment Amount | Principal Payments | Interest Payments | Interest Rate | Spread Rate | Schedule A |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 11 Jul 2007 | 12 Jul 2007 | 16 Aug 2007 | 35 | 15 Aug 2007 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 15 Aug 2007 | 16 Aug 2007 | 20 Sep 2007 | 35 | 19 Sep 2007 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 19 Sep 2007 | 20 Sep 2007 | 25 Oct 2007 | 35 | 24 Oct 2007 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 24 Oct 2007 | 25 Oct 2007 | 29 Nov 2007 | 35 | 28 Nov 2007 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 28 Nov 2007 | 29 Nov 2007 | 03 Jan 2008 | 35 | 02 Jan 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 02 Jan 2008 | 03 Jan 2008 | 07 Feb 2008 | 35 | 06 Feb 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 06 Feb 2008 | 07 Feb 2008 | 13 Mar 2008 | 35 | 12 Mar 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 12 Mar 2008 | 13 Mar 2008 | 17 Apr 2008 | 35 | 16 Apr 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 16 Apr 2008 | 17 Apr 2008 | 22 May 2008 | 35 | 21 May 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 21 May 2008 | 22 May 2008 | 26 Jun 2008 | 35 | 25 Jun 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 25 Jun 2008 | 26 Jun 2008 | 31 Jul 2008 | 35 | 30 Jul 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 65,400,000.00 |
| 30 Jul 2008 | 31 Jul 2008 | 04 Sep 2008 | 35 | 03 Sep 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 03 Sep 2008 | 04 Sep 2008 | 09 Oct 2008 | 35 | 08 Oct 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 08 Oct 2008 | 09 Oct 2008 | 13 Nov 2008 | 35 | 12 Nov 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 12 Nov 2008 | 13 Nov 2008 | 18 Dec 2008 | 35 | 17 Dec 2008 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 17 Dec 2008 | 18 Dec 2008 | 22 Jan 2009 | 35 | 21 Jan 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 21 Jan 2009 | 22 Jan 2009 | 26 Feb 2009 | 35 | 25 Feb 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 25 Feb 2009 | 26 Feb 2009 | 02 Apr 2009 | 35 | 01 Apr 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 01 Apr 2009 | 02 Apr 2009 | 07 May 2009 | 35 | 06 May 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 06 May 2009 | 07 May 2009 | 11 Jun 2009 | 35 | 10 Jun 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 10 Jun 2009 | 11 Jun 2009 | 16 Jul 2009 | 35 | 15 Jul 2009 | | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 Jul 2009 | 16 Jul 2009 | 20 Aug 2009 | 35 | 19 Aug 2009 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 64,275,000.00 |
| 19 Aug 2009 | 20 Aug 2009 | 24 Sep 2009 | 35 | 23 Sep 2009 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 23 Sep 2009 | 24 Sep 2009 | 29 Oct 2009 | 35 | 28 Oct 2009 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 28 Oct 2009 | 29 Oct 2009 | 03 Dec 2009 | 35 | 02 Dec 2009 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 02 Dec 2009 | 03 Dec 2009 | 07 Jan 2010 | 35 | 06 Jan 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 06 Jan 2010 | 07 Jan 2010 | 11 Feb 2010 | 35 | 10 Feb 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 10 Feb 2010 | 11 Feb 2010 | 18 Mar 2010 | 35 | 17 Mar 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 17 Mar 2010 | 18 Mar 2010 | 22 Apr 2010 | 35 | 21 Apr 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 21 Apr 2010 | 22 Apr 2010 | 27 May 2010 | 35 | 26 May 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 26 May 2010 | 27 May 2010 | 01 Jul 2010 | 35 | 30 Jun 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 30 Jun 2010 | 01 Jul 2010 | 05 Aug 2010 | 35 | 04 Aug 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 62,750,000.00 |
| 04 Aug 2010 | 05 Aug 2010 | 09 Sep 2010 | 35 | 08 Sep 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 08 Sep 2010 | 09 Sep 2010 | 14 Oct 2010 | 35 | 13 Oct 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 13 Oct 2010 | 14 Oct 2010 | 18 Nov 2010 | 35 | 17 Nov 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 17 Nov 2010 | 18 Nov 2010 | 23 Dec 2010 | 35 | 22 Dec 2010 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 22 Dec 2010 | 23 Dec 2010 | 27 Jan 2011 | 35 | 26 Jan 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 26 Jan 2011 | 27 Jan 2011 | 03 Mar 2011 | 35 | 02 Mar 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 02 Mar 2011 | 03 Mar 2011 | 07 Apr 2011 | 35 | 06 Apr 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 06 Apr 2011 | 07 Apr 2011 | 12 May 2011 | 35 | 11 May 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 11 May 2011 | 12 May 2011 | 16 Jun 2011 | 35 | 15 Jun 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 15 Jun 2011 | 16 Jun 2011 | 21 Jul 2011 | 35 | 20 Jul 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 20 Jul 2011 | 21 Jul 2011 | 25 Aug 2011 | 35 | 24 Aug 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 61,150,000.00 |
| 24 Aug 2011 | 25 Aug 2011 | 29 Sep 2011 | 35 | 28 Sep 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 28 Sep 2011 | 29 Sep 2011 | 03 Nov 2011 | 35 | 02 Nov 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 02 Nov 2011 | 03 Nov 2011 | 08 Dec 2011 | 35 | 07 Dec 2011 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 07 Dec 2011 | 08 Dec 2011 | 12 Jan 2012 | 35 | 11 Jan 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 11 Jan 2012 | 12 Jan 2012 | 16 Feb 2012 | 35 | 15 Feb 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 Feb 2012 | 16 Feb 2012 | 22 Mar 2012 | 35 | 21 Mar 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 21 Mar 2012 | 22 Mar 2012 | 26 Apr 2012 | 35 | 25 Apr 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 25 Apr 2012 | 26 Apr 2012 | 31 May 2012 | 35 | 30 May 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 30 May 2012 | 31 May 2012 | 05 Jul 2012 | 35 | 03 Jul 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 04 Jul 2012 | 05 Jul 2012 | 09 Aug 2012 | 35 | 08 Aug 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 59,475,000.00 |
| 08 Aug 2012 | 09 Aug 2012 | 13 Sep 2012 | 35 | 12 Sep 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 12 Sep 2012 | 13 Sep 2012 | 18 Oct 2012 | 35 | 17 Oct 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 17 Oct 2012 | 18 Oct 2012 | 22 Nov 2012 | 35 | 21 Nov 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 21 Nov 2012 | 22 Nov 2012 | 27 Dec 2012 | 35 | 24 Dec 2012 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 24 Dec 2012 | 27 Dec 2012 | 31 Jan 2013 | 35 | 30 Jan 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 30 Jan 2013 | 31 Jan 2013 | 07 Mar 2013 | 35 | 06 Mar 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 06 Mar 2013 | 07 Mar 2013 | 11 Apr 2013 | 35 | 10 Apr 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 10 Apr 2013 | 11 Apr 2013 | 16 May 2013 | 35 | 15 May 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 15 May 2013 | 16 May 2013 | 20 Jun 2013 | 35 | 19 Jun 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 19 Jun 2013 | 20 Jun 2013 | 25 Jul 2013 | 35 | 24 Jul 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 24 Jul 2013 | 25 Jul 2013 | 29 Aug 2013 | 35 | 28 Aug 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 57,725,000.00 |
| 28 Aug 2013 | 29 Aug 2013 | 03 Oct 2013 | 35 | 02 Oct 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 02 Oct 2013 | 03 Oct 2013 | 07 Nov 2013 | 35 | 06 Nov 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 06 Nov 2013 | 07 Nov 2013 | 12 Dec 2013 | 35 | 11 Dec 2013 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 11 Dec 2013 | 12 Dec 2013 | 16 Jan 2014 | 35 | 15 Jan 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 15 Jan 2014 | 16 Jan 2014 | 20 Feb 2014 | 35 | 19 Feb 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 19 Feb 2014 | 20 Feb 2014 | 27 Mar 2014 | 35 | 26 Mar 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 26 Mar 2014 | 27 Mar 2014 | 01 May 2014 | 35 | 30 Apr 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 30 Apr 2014 | 01 May 2014 | 05 Jun 2014 | 35 | 04 Jun 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 04 Jun 2014 | 05 Jun 2014 | 10 Jul 2014 | 35 | 09 Jul 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 09 Jul 2014 | 10 Jul 2014 | 14 Aug 2014 | 35 | 13 Aug 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 55,900,000.00 |
| 13 Aug 2014 | 14 Aug 2014 | 18 Sep 2014 | 35 | 17 Sep 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 17 Sep 2014 | 18 Sep 2014 | 23 Oct 2014 | 35 | 22 Oct 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 22 Oct 2014 | 23 Oct 2014 | 27 Nov 2014 | 35 | 26 Nov 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 26 Nov 2014 | 27 Nov 2014 | 01 Jan 2015 | 35 | 31 Dec 2014 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 31 Dec 2014 | 01 Jan 2015 | 05 Feb 2015 | 35 | 04 Feb 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 04 Feb 2015 | 05 Feb 2015 | 12 Mar 2015 | 35 | 11 Mar 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 11 Mar 2015 | 12 Mar 2015 | 16 Apr 2015 | 35 | 15 Apr 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 15 Apr 2015 | 16 Apr 2015 | 21 May 2015 | 35 | 20 May 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 20 May 2015 | 21 May 2015 | 25 Jun 2015 | 35 | 24 Jun 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 24 Jun 2015 | 25 Jun 2015 | 30 Jul 2015 | 35 | 29 Jul 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 54,000,000.00 |
| 29 Jul 2015 | 30 Jul 2015 | 03 Sep 2015 | 35 | 02 Sep 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 02 Sep 2015 | 03 Sep 2015 | 08 Oct 2015 | 35 | 07 Oct 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 07 Oct 2015 | 08 Oct 2015 | 12 Nov 2015 | 35 | 10 Nov 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 11 Nov 2015 | 12 Nov 2015 | 17 Dec 2015 | 35 | 16 Dec 2015 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 16 Dec 2015 | 17 Dec 2015 | 21 Jan 2016 | 35 | 20 Jan 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 20 Jan 2016 | 21 Jan 2016 | 25 Feb 2016 | 35 | 24 Feb 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 24 Feb 2016 | 25 Feb 2016 | 31 Mar 2016 | 35 | 30 Mar 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 30 Mar 2016 | 31 Mar 2016 | 05 May 2016 | 35 | 04 May 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 04 May 2016 | 05 May 2016 | 09 Jun 2016 | 35 | 08 Jun 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 08 Jun 2016 | 09 Jun 2016 | 14 Jul 2016 | 35 | 13 Jul 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 13 Jul 2016 | 14 Jul 2016 | 18 Aug 2016 | 35 | 17 Aug 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 52,000,000.00 |
| 17 Aug 2016 | 18 Aug 2016 | 22 Sep 2016 | 35 | 21 Sep 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 21 Sep 2016 | 22 Sep 2016 | 27 Oct 2016 | 35 | 26 Oct 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 26 Oct 2016 | 27 Oct 2016 | 01 Dec 2016 | 35 | 30 Nov 2016 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 30 Nov 2016 | 01 Dec 2016 | 05 Jan 2017 | 35 | 04 Jan 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 04 Jan 2017 | 05 Jan 2017 | 09 Feb 2017 | 35 | 08 Feb 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 08 Feb 2017 | 09 Feb 2017 | 16 Mar 2017 | 35 | 15 Mar 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 15 Mar 2017 | 16 Mar 2017 | 20 Apr 2017 | 35 | 19 Apr 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 19 Apr 2017 | 20 Apr 2017 | 25 May 2017 | 35 | 24 May 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 24 May 2017 | 25 May 2017 | 29 Jun 2017 | 35 | 28 Jun 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 28 Jun 2017 | 29 Jun 2017 | 03 Aug 2017 | 35 | 02 Aug 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 49,900,000.00 |
| 02 Aug 2017 | 03 Aug 2017 | 07 Sep 2017 | 35 | 06 Sep 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 06 Sep 2017 | 07 Sep 2017 | 12 Oct 2017 | 35 | 11 Oct 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 11 Oct 2017 | 12 Oct 2017 | 16 Nov 2017 | 35 | 15 Nov 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 15 Nov 2017 | 16 Nov 2017 | 21 Dec 2017 | 35 | 20 Dec 2017 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 20 Dec 2017 | 21 Dec 2017 | 25 Jan 2018 | 35 | 24 Jan 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 24 Jan 2018 | 25 Jan 2018 | 01 Mar 2018 | 35 | 28 Feb 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 28 Feb 2018 | 01 Mar 2018 | 05 Apr 2018 | 35 | 04 Apr 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 04 Apr 2018 | 05 Apr 2018 | 10 May 2018 | 35 | 09 May 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 09 May 2018 | 10 May 2018 | 14 Jun 2018 | 35 | 13 Jun 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 13 Jun 2018 | 14 Jun 2018 | 19 Jul 2018 | 35 | 18 Jul 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 18 Jul 2018 | 19 Jul 2018 | 23 Aug 2018 | 35 | 22 Aug 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 47,700,000.00 |
| 22 Aug 2018 | 23 Aug 2018 | 27 Sep 2018 | 35 | 26 Sep 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 26 Sep 2018 | 27 Sep 2018 | 01 Nov 2018 | 35 | 31 Oct 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 31 Oct 2018 | 01 Nov 2018 | 06 Dec 2018 | 35 | 05 Dec 2018 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 05 Dec 2018 | 06 Dec 2018 | 10 Jan 2019 | 35 | 09 Jan 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 09 Jan 2019 | 10 Jan 2019 | 14 Feb 2019 | 35 | 13 Feb 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 13 Feb 2019 | 14 Feb 2019 | 21 Mar 2019 | 35 | 20 Mar 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 20 Mar 2019 | 21 Mar 2019 | 25 Apr 2019 | 35 | 24 Apr 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 24 Apr 2019 | 25 Apr 2019 | 30 May 2019 | 35 | 29 May 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 29 May 2019 | 30 May 2019 | 04 Jul 2019 | 35 | 03 Jul 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 03 Jul 2019 | 04 Jul 2019 | 08 Aug 2019 | 35 | 07 Aug 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 45,425,000.00 |
| 07 Aug 2019 | 08 Aug 2019 | 12 Sep 2019 | 35 | 11 Sep 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 11 Sep 2019 | 12 Sep 2019 | 17 Oct 2019 | 35 | 16 Oct 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 16 Oct 2019 | 17 Oct 2019 | 21 Nov 2019 | 35 | 20 Nov 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 20 Nov 2019 | 21 Nov 2019 | 26 Dec 2019 | 35 | 24 Dec 2019 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 24 Dec 2019 | 26 Dec 2019 | 30 Jan 2020 | 35 | 29 Jan 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 29 Jan 2020 | 30 Jan 2020 | 05 Mar 2020 | 35 | 04 Mar 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 04 Mar 2020 | 05 Mar 2020 | 09 Apr 2020 | 35 | 08 Apr 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 08 Apr 2020 | 09 Apr 2020 | 14 May 2020 | 35 | 13 May 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 13 May 2020 | 14 May 2020 | 18 Jun 2020 | 35 | 17 Jun 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 17 Jun 2020 | 18 Jun 2020 | 23 Jul 2020 | 35 | 22 Jul 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 22 Jul 2020 | 23 Jul 2020 | 27 Aug 2020 | 35 | 26 Aug 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 43,425,000.00 |
| 26 Aug 2020 | 27 Aug 2020 | 01 Oct 2020 | 35 | 30 Sep 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 30 Sep 2020 | 01 Oct 2020 | 05 Nov 2020 | 35 | 04 Nov 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 04 Nov 2020 | 05 Nov 2020 | 10 Dec 2020 | 35 | 09 Dec 2020 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 09 Dec 2020 | 10 Dec 2020 | 14 Jan 2021 | 35 | 13 Jan 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 13 Jan 2021 | 14 Jan 2021 | 18 Feb 2021 | 35 | 17 Feb 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 17 Feb 2021 | 18 Feb 2021 | 25 Mar 2021 | 35 | 24 Mar 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 24 Mar 2021 | 25 Mar 2021 | 29 Apr 2021 | 35 | 28 Apr 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 28 Apr 2021 | 29 Apr 2021 | 03 Jun 2021 | 35 | 02 Jun 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 02 Jun 2021 | 03 Jun 2021 | 08 Jul 2021 | 35 | 07 Jul 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 07 Jul 2021 | 08 Jul 2021 | 12 Aug 2021 | 35 | 11 Aug 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 39,150,000.00 |
| 11 Aug 2021 | 12 Aug 2021 | 16 Sep 2021 | 35 | 15 Sep 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 15 Sep 2021 | 16 Sep 2021 | 21 Oct 2021 | 35 | 20 Oct 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 20 Oct 2021 | 21 Oct 2021 | 25 Nov 2021 | 35 | 24 Nov 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 24 Nov 2021 | 25 Nov 2021 | 30 Dec 2021 | 35 | 29 Dec 2021 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 29 Dec 2021 | 30 Dec 2021 | 03 Feb 2022 | 35 | 02 Feb 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 02 Feb 2022 | 03 Feb 2022 | 10 Mar 2022 | 35 | 09 Mar 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 09 Mar 2022 | 10 Mar 2022 | 14 Apr 2022 | 35 | 13 Apr 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 13 Apr 2022 | 14 Apr 2022 | 19 May 2022 | 35 | 18 May 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 18 May 2022 | 19 May 2022 | 23 Jun 2022 | 35 | 22 Jun 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 Jun 2022 | 23 Jun 2022 | 28 Jul 2022 | 35 | 27 Jul 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 27 Jul 2022 | 28 Jul 2022 | 01 Sep 2022 | 35 | 31 Aug 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 37,375,000.00 |
| 31 Aug 2022 | 01 Sep 2022 | 06 Oct 2022 | 35 | 05 Oct 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 05 Oct 2022 | 06 Oct 2022 | 10 Nov 2022 | 35 | 09 Nov 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 09 Nov 2022 | 10 Nov 2022 | 15 Dec 2022 | 35 | 14 Dec 2022 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 14 Dec 2022 | 15 Dec 2022 | 19 Jan 2023 | 35 | 18 Jan 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 18 Jan 2023 | 19 Jan 2023 | 23 Feb 2023 | 35 | 22 Feb 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 22 Feb 2023 | 23 Feb 2023 | 30 Mar 2023 | 35 | 29 Mar 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 29 Mar 2023 | 30 Mar 2023 | 04 May 2023 | 35 | 03 May 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 03 May 2023 | 04 May 2023 | 08 Jun 2023 | 35 | 07 Jun 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 07 Jun 2023 | 08 Jun 2023 | 13 Jul 2023 | 35 | 12 Jul 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 12 Jul 2023 | 13 Jul 2023 | 17 Aug 2023 | 35 | 16 Aug 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 35,525,000.00 |
| 16 Aug 2023 | 17 Aug 2023 | 21 Sep 2023 | 35 | 20 Sep 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 20 Sep 2023 | 21 Sep 2023 | 26 Oct 2023 | 35 | 25 Oct 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 25 Oct 2023 | 26 Oct 2023 | 30 Nov 2023 | 35 | 29 Nov 2023 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 29 Nov 2023 | 30 Nov 2023 | 04 Jan 2024 | 35 | 03 Jan 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 03 Jan 2024 | 04 Jan 2024 | 08 Feb 2024 | 35 | 07 Feb 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 07 Feb 2024 | 08 Feb 2024 | 14 Mar 2024 | 35 | 13 Mar 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 13 Mar 2024 | 14 Mar 2024 | 18 Apr 2024 | 35 | 17 Apr 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 17 Apr 2024 | 18 Apr 2024 | 23 May 2024 | 35 | 22 May 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 22 May 2024 | 23 May 2024 | 27 Jun 2024 | 35 | 26 Jun 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 26 Jun 2024 | 27 Jun 2024 | 01 Aug 2024 | 35 | 31 Jul 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 31,850,000.00 |
| 31 Jul 2024 | 01 Aug 2024 | 05 Sep 2024 | 35 | 04 Sep 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 04 Sep 2024 | 05 Sep 2024 | 10 Oct 2024 | 35 | 09 Oct 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 09 Oct 2024 | 10 Oct 2024 | 14 Nov 2024 | 35 | 13 Nov 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 13 Nov 2024 | 14 Nov 2024 | 19 Dec 2024 | 35 | 18 Dec 2024 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 18 Dec 2024 | 19 Dec 2024 | 23 Jan 2025 | 35 | 22 Jan 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 Jan 2025 | 23 Jan 2025 | 27 Feb 2025 | 35 | 26 Feb 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 26 Feb 2025 | 27 Feb 2025 | 03 Apr 2025 | 35 | 02 Apr 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 02 Apr 2025 | 03 Apr 2025 | 08 May 2025 | 35 | 07 May 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 07 May 2025 | 08 May 2025 | 12 Jun 2025 | 35 | 11 Jun 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 11 Jun 2025 | 12 Jun 2025 | 17 Jul 2025 | 35 | 16 Jul 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 16 Jul 2025 | 17 Jul 2025 | 21 Aug 2025 | 35 | 20 Aug 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 29,750,000.00 |
| 20 Aug 2025 | 21 Aug 2025 | 25 Sep 2025 | 35 | 24 Sep 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 24 Sep 2025 | 25 Sep 2025 | 30 Oct 2025 | 35 | 29 Oct 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 29 Oct 2025 | 30 Oct 2025 | 04 Dec 2025 | 35 | 03 Dec 2025 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 03 Dec 2025 | 04 Dec 2025 | 08 Jan 2026 | 35 | 07 Jan 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 07 Jan 2026 | 08 Jan 2026 | 12 Feb 2026 | 35 | 11 Feb 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 11 Feb 2026 | 12 Feb 2026 | 19 Mar 2026 | 35 | 18 Mar 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 18 Mar 2026 | 19 Mar 2026 | 23 Apr 2026 | 35 | 22 Apr 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 22 Apr 2026 | 23 Apr 2026 | 28 May 2026 | 35 | 27 May 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 27 May 2026 | 28 May 2026 | 02 Jul 2026 | 35 | 01 Jul 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 01 Jul 2026 | 02 Jul 2026 | 06 Aug 2026 | 35 | 05 Aug 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 27,550,000.00 |
| 05 Aug 2026 | 06 Aug 2026 | 10 Sep 2026 | 35 | 09 Sep 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 09 Sep 2026 | 10 Sep 2026 | 15 Oct 2026 | 35 | 14 Oct 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 14 Oct 2026 | 15 Oct 2026 | 19 Nov 2026 | 35 | 18 Nov 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 18 Nov 2026 | 19 Nov 2026 | 24 Dec 2026 | 35 | 23 Dec 2026 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 23 Dec 2026 | 24 Dec 2026 | 28 Jan 2027 | 35 | 27 Jan 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 27 Jan 2027 | 28 Jan 2027 | 04 Mar 2027 | 35 | 03 Mar 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 03 Mar 2027 | 04 Mar 2027 | 08 Apr 2027 | 35 | 07 Apr 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 07 Apr 2027 | 08 Apr 2027 | 13 May 2027 | 35 | 12 May 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 12 May 2027 | 13 May 2027 | 17 Jun 2027 | 35 | 16 Jun 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 16 Jun 2027 | 17 Jun 2027 | 22 Jul 2027 | 35 | 21 Jul 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |
| 21 Jul 2027 | 22 Jul 2027 | 26 Aug 2027 | 35 | 25 Aug 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 25,275,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 25 Aug 2027 | 26 Aug 2027 | 30 Sep 2027 | 35 | 29 Sep 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 29 Sep 2027 | 30 Sep 2027 | 04 Nov 2027 | 35 | 03 Nov 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 03 Nov 2027 | 04 Nov 2027 | 09 Dec 2027 | 35 | 08 Dec 2027 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 08 Dec 2027 | 09 Dec 2027 | 13 Jan 2028 | 35 | 12 Jan 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 12 Jan 2028 | 13 Jan 2028 | 17 Feb 2028 | 35 | 16 Feb 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 16 Feb 2028 | 17 Feb 2028 | 23 Mar 2028 | 35 | 22 Mar 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 22 Mar 2028 | 23 Mar 2028 | 27 Apr 2028 | 35 | 26 Apr 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 26 Apr 2028 | 27 Apr 2028 | 01 Jun 2028 | 35 | 31 May 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 31 May 2028 | 01 Jun 2028 | 06 Jul 2028 | 35 | 05 Jul 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 05 Jul 2028 | 06 Jul 2028 | 10 Aug 2028 | 35 | 09 Aug 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 18,075,000.00 |
| 09 Aug 2028 | 10 Aug 2028 | 14 Sep 2028 | 35 | 13 Sep 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 13 Sep 2028 | 14 Sep 2028 | 19 Oct 2028 | 35 | 18 Oct 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 18 Oct 2028 | 19 Oct 2028 | 23 Nov 2028 | 35 | 22 Nov 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 22 Nov 2028 | 23 Nov 2028 | 28 Dec 2028 | 35 | 27 Dec 2028 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 27 Dec 2028 | 28 Dec 2028 | 01 Feb 2029 | 35 | 31 Jan 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 31 Jan 2029 | 01 Feb 2029 | 08 Mar 2029 | 35 | 07 Mar 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 07 Mar 2029 | 08 Mar 2029 | 12 Apr 2029 | 35 | 11 Apr 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 11 Apr 2029 | 12 Apr 2029 | 17 May 2029 | 35 | 16 May 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 16 May 2029 | 17 May 2029 | 21 Jun 2029 | 35 | 20 Jun 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 20 Jun 2029 | 21 Jun 2029 | 26 Jul 2029 | 35 | 25 Jul 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 25 Jul 2029 | 26 Jul 2029 | 30 Aug 2029 | 35 | 29 Aug 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 16,400,000.00 |
| 29 Aug 2029 | 30 Aug 2029 | 04 Oct 2029 | 35 | 03 Oct 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 03 Oct 2029 | 04 Oct 2029 | 08 Nov 2029 | 35 | 07 Nov 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 07 Nov 2029 | 08 Nov 2029 | 13 Dec 2029 | 35 | 12 Dec 2029 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 12 Dec 2029 | 13 Dec 2029 | 17 Jan 2030 | 35 | 16 Jan 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 16 Jan 2030 | 17 Jan 2030 | 21 Feb 2030 | 35 | 20 Feb 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 20 Feb 2030 | 21 Feb 2030 | 28 Mar 2030 | 35 | 27 Mar 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 27 Mar 2030 | 28 Mar 2030 | 02 May 2030 | 35 | 01 May 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 01 May 2030 | 02 May 2030 | 06 Jun 2030 | 35 | 05 Jun 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 05 Jun 2030 | 06 Jun 2030 | 11 Jul 2030 | 35 | 10 Jul 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 10 Jul 2030 | 11 Jul 2030 | 15 Aug 2030 | 35 | 14 Aug 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 14,650,000.00 |
| 14 Aug 2030 | 15 Aug 2030 | 19 Sep 2030 | 35 | 18 Sep 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 18 Sep 2030 | 19 Sep 2030 | 24 Oct 2030 | 35 | 23 Oct 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 23 Oct 2030 | 24 Oct 2030 | 28 Nov 2030 | 35 | 27 Nov 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 27 Nov 2030 | 28 Nov 2030 | 02 Jan 2031 | 35 | 31 Dec 2030 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 31 Dec 2030 | 02 Jan 2031 | 06 Feb 2031 | 35 | 05 Feb 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 05 Feb 2031 | 06 Feb 2031 | 13 Mar 2031 | 35 | 12 Mar 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 12 Mar 2031 | 13 Mar 2031 | 17 Apr 2031 | 35 | 16 Apr 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 16 Apr 2031 | 17 Apr 2031 | 22 May 2031 | 35 | 21 May 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 21 May 2031 | 22 May 2031 | 26 Jun 2031 | 35 | 25 Jun 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 25 Jun 2031 | 26 Jun 2031 | 31 Jul 2031 | 35 | 30 Jul 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 12,800,000.00 |
| 30 Jul 2031 | 31 Jul 2031 | 04 Sep 2031 | 35 | 03 Sep 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 03 Sep 2031 | 04 Sep 2031 | 09 Oct 2031 | 35 | 08 Oct 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 08 Oct 2031 | 09 Oct 2031 | 13 Nov 2031 | 35 | 12 Nov 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 12 Nov 2031 | 13 Nov 2031 | 18 Dec 2031 | 35 | 17 Dec 2031 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 17 Dec 2031 | 18 Dec 2031 | 22 Jan 2032 | 35 | 21 Jan 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 21 Jan 2032 | 22 Jan 2032 | 26 Feb 2032 | 35 | 25 Feb 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 25 Feb 2032 | 26 Feb 2032 | 01 Apr 2032 | 35 | 31 Mar 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 31 Mar 2032 | 01 Apr 2032 | 06 May 2032 | 35 | 05 May 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 05 May 2032 | 06 May 2032 | 10 Jun 2032 | 35 | 09 Jun 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 09 Jun 2032 | 10 Jun 2032 | 15 Jul 2032 | 35 | 14 Jul 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 14 Jul 2032 | 15 Jul 2032 | 19 Aug 2032 | 35 | 18 Aug 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 10,875,000.00 |
| 18 Aug 2032 | 19 Aug 2032 | 23 Sep 2032 | 35 | 22 Sep 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 22 Sep 2032 | 23 Sep 2032 | 28 Oct 2032 | 35 | 27 Oct 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 27 Oct 2032 | 28 Oct 2032 | 02 Dec 2032 | 35 | 01 Dec 2032 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 01 Dec 2032 | 02 Dec 2032 | 06 Jan 2033 | 35 | 05 Jan 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 05 Jan 2033 | 06 Jan 2033 | 10 Feb 2033 | 35 | 09 Feb 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 09 Feb 2033 | 10 Feb 2033 | 17 Mar 2033 | 35 | 16 Mar 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 16 Mar 2033 | 17 Mar 2033 | 21 Apr 2033 | 35 | 20 Apr 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 20 Apr 2033 | 21 Apr 2033 | 26 May 2033 | 35 | 25 May 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 25 May 2033 | 26 May 2033 | 30 Jun 2033 | 35 | 29 Jun 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 29 Jun 2033 | 30 Jun 2033 | 04 Aug 2033 | 35 | 03 Aug 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 8,875,000.00 |
| 03 Aug 2033 | 04 Aug 2033 | 08 Sep 2033 | 35 | 07 Sep 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 07 Sep 2033 | 08 Sep 2033 | 13 Oct 2033 | 35 | 12 Oct 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 12 Oct 2033 | 13 Oct 2033 | 17 Nov 2033 | 35 | 16 Nov 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 16 Nov 2033 | 17 Nov 2033 | 22 Dec 2033 | 35 | 21 Dec 2033 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 21 Dec 2033 | 22 Dec 2033 | 26 Jan 2034 | 35 | 25 Jan 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 25 Jan 2034 | 26 Jan 2034 | 02 Mar 2034 | 35 | 01 Mar 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 01 Mar 2034 | 02 Mar 2034 | 06 Apr 2034 | 35 | 05 Apr 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 05 Apr 2034 | 06 Apr 2034 | 11 May 2034 | 35 | 10 May 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 10 May 2034 | 11 May 2034 | 15 Jun 2034 | 35 | 14 Jun 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 14 Jun 2034 | 15 Jun 2034 | 20 Jul 2034 | 35 | 19 Jul 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 19 Jul 2034 | 20 Jul 2034 | 24 Aug 2034 | 35 | 23 Aug 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 6,800,000.00 |
| 23 Aug 2034 | 24 Aug 2034 | 28 Sep 2034 | 35 | 27 Sep 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 27 Sep 2034 | 28 Sep 2034 | 02 Nov 2034 | 35 | 01 Nov 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 01 Nov 2034 | 02 Nov 2034 | 07 Dec 2034 | 35 | 06 Dec 2034 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 06 Dec 2034 | 07 Dec 2034 | 11 Jan 2035 | 35 | 10 Jan 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 10 Jan 2035 | 11 Jan 2035 | 15 Feb 2035 | 35 | 14 Feb 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 14 Feb 2035 | 15 Feb 2035 | 22 Mar 2035 | 35 | 21 Mar 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 21 Mar 2035 | 22 Mar 2035 | 26 Apr 2035 | 35 | 25 Apr 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 25 Apr 2035 | 26 Apr 2035 | 31 May 2035 | 35 | 30 May 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 30 May 2035 | 31 May 2035 | 05 Jul 2035 | 35 | 03 Jul 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 04 Jul 2035 | 05 Jul 2035 | 09 Aug 2035 | 35 | 08 Aug 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 4,625,000.00 |
| 08 Aug 2035 | 09 Aug 2035 | 13 Sep 2035 | 35 | 12 Sep 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 12 Sep 2035 | 13 Sep 2035 | 18 Oct 2035 | 35 | 17 Oct 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 17 Oct 2035 | 18 Oct 2035 | 22 Nov 2035 | 35 | 21 Nov 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 21 Nov 2035 | 22 Nov 2035 | 27 Dec 2035 | 35 | 24 Dec 2035 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 24 Dec 2035 | 27 Dec 2035 | 31 Jan 2036 | 35 | 30 Jan 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 30 Jan 2036 | 31 Jan 2036 | 06 Mar 2036 | 35 | 05 Mar 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 05 Mar 2036 | 06 Mar 2036 | 10 Apr 2036 | 35 | 09 Apr 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 09 Apr 2036 | 10 Apr 2036 | 15 May 2036 | 35 | 14 May 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 14 May 2036 | 15 May 2036 | 19 Jun 2036 | 35 | 18 Jun 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 18 Jun 2036 | 19 Jun 2036 | 24 Jul 2036 | 35 | 23 Jul 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |
| 23 Jul 2036 | 24 Jul 2036 | 01 Sep 2036 | 39 | 29 Aug 2036 | 0.00 | 0.00 | 0.00 | 0.00000 | 0.00000 | 2,350,000.00 |

# ROYAL BANK OF CANADA

**EXTRACT FROM THE ADMINISTRATIVE RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF ROYAL BANK OF CANADA**

(hereinafter referred to as the "Bank")

(Adopted October 14, 2004 and as amended on November 30, 2004, August 26, 2005, October 18, 2005, December 9, 2005, April 11, 2006, August 25, 2006 and January 23, 2007)

---

**ADMINISTRATIVE RESOLUTION 4.2**

4.2 (a) Any two of the following officers of the Bank acting together, viz; the Chief Executive Officer, the President, the Chief Operating Officer, a Group Head, the Chief Financial Officer, the Chief Risk Officer, a Senior Executive Vice-President, an Executive Vice-President, a Senior Vice-President, a Regional President, a Vice-President, or any other duly appointed officer of the Bank (herein individually or collectively referred to as "Officers"), or any one of such Officers acting together with the Secretary or Assistant Secretary are hereby authorized to sign and deliver for and on behalf of the Bank any contract, deed, document, undertaking, authorization, appointment or writing whatsoever (herein individually and collectively referred to as "Bank Instrument") and such persons, acting as aforesaid, may further grant powers of attorney constituting any other person or persons the true and lawful attorneys of the Bank to sign and deliver one or more Bank Instruments, and to do and perform one or more acts or things which may be necessary or desirable to carry on the business and affairs of the Bank.

(b) For greater certainty, powers of attorney executed in accordance with the provisions of 4.2(a) above may be general or specific in terms, but may not empower the attorneys so constituted to delegate or substitute in turn any of the powers conferred upon them.

(c) Any Bank Instrument signed and delivered in accordance with the provisions of 4.2(a) above (including pursuant to any power of attorney granted thereunder), or any Bank Instrument signed in any other manner in accordance with the specific authorization of the directors expressed by resolution and delivered for and on behalf of the Bank, shall be binding upon the Bank for all legal purposes whether or not the seal of the Bank is affixed to such Bank Instrument or power of attorney.

I, A. Nancy Santini, Assistant Secretary of Royal Bank of Canada, hereby certify that the above extract is a true and correct extract from the Administrative Resolutions passed by the Board of Directors of Royal Bank of Canada on October 14, 2004 and as amended on November 30, 2004, August 26, 2005, October 18, 2005, December 9, 2005, April 11, 2006, August 25, 2006 and January 23, 2007 respectively, and that said Resolution is still in full force and effect and has not been amended or modified as of the date hereof.

In witness whereof, I have signed this certificate and affixed hereto the seal of Royal Bank of Canada as of this 8th day of February, 2007.

A. Nancy Santini
Assistant Secretary

# POWER OF ATTORNEY

**KNOW ALL MEN BY THESE PRESENTS THAT** Royal Bank of Canada (hereinafter referred to as the "Bank"), a body corporate duly incorporated by Chapter 59 of the Acts of Parliament of Canada for the year 1869 and governed by the provisions of the Bank Act, being S.C. 1991, c. 46, as amended, do hereby make, constitute and appoint any one of the following persons:

Danish Mamoon, Manager, RBC Dominion Securities Inc.
Irene Klausmann, Vice-President, RBC Dominion Securities Inc.
John Higginbotham, Chief Financial Officer, RBC Dominion Securities Inc.

as the true and lawful Attorney(s)-in-Fact for and on behalf of the Bank, acting individually, and, in the name of the Bank, in relation to the business and activities carried on in the name of the Bank relating to any trading activity of the Bank, to prepare, execute, file and/or deliver appropriate withholding tax declarations, certificates and/or forms.

The Bank hereby ratifies and confirms all that the said Attorney(s)-in-Fact may have done or caused to be done or do or cause to be done by virtue hereof.

The Power of Attorney shall be effective as of June 5, 2006 and shall continue in force until it is revoked or, with respect to each Attorney-in-Fact, until that Attorney is no longer employed by the Bank in the position indicated above for that Attorney, whichever is earlier.

The specimen signatures of such Attorney(s)-in-Fact being shown on Schedule "A" annexed hereto.

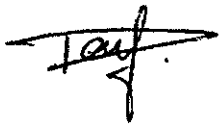
**IN WITNESS WHEREOF** the duly authorized representatives of the Bank have affixed their respective signatures in the City of Toronto, this 5th day of June 5, 2006.

**ROYAL BANK OF CANADA**

per:
David Allgood
Executive Vice-President &
General Counsel

per:
Bryan Osmar
Senior Vice-President

**SCHEDULE "A"**
**TO POWER OF ATTORNEY**
**DATED JUNE 5, 2006**

| | |
|---|---|
| **Danish Mamoon**<br>***RBC Dominion Securities Inc.*** |  |
| **Irene Klausmann**<br>***RBC Dominion Securities Inc.*** |  |
| **John Higginbotham**<br>***RBC Dominion Securities Inc.*** |  |

# POWER OF ATTORNEY

**KNOW ALL MEN BY THESE PRESENTS THAT** Royal Bank of Canada (hereinafter referred to as the "Bank"), a body corporate duly incorporated by Chapter 59 of the Acts of Parliament of Canada for the year 1869 and governed by the provisions of the Bank Act, being S.C. 1991, c. 46, as amended, do hereby make, constitute and appoint any one of the following persons:

Susan Heard
Irene Klausmann
Bryan Osmar
Ruth Preston

as the true and lawful Attorney(s)-in-Fact of the Bank, acting individually, to execute and deliver in the name of and on behalf of the Bank any and all agreements, acknowledgements, confirmations or other documents or instruments documenting or otherwise relating to any trading activity of the Bank or effecting any type of financial or other transaction to which the Bank is a party, whether involving credit or other derivatives or otherwise, whether for hedging or any other purpose, and whether involving interest rates, currencies, precious metals or other commodities, securities, deposits or placements, or otherwise, and including, by way of specific example only and without any limitation to the foregoing, rate swap, rate cap, rate floor, rate collar and currency and interest exchange transactions, forward rate transactions or other exchange or interest rate protection transactions, repurchase and reverse repurchase agreements, any transaction documented under any credit support annex, including, without limitation, the UK law form of ISDA Credit Support Annex, or any combination of any such transactions or agreements, or any option with respect to any such transactions or agreements, in each case entered into by the Bank, and each and every such agreement, acknowledgement, confirmation or other document or instrument to be in such form as the above-appointed Attorney(s)-in-Fact may determine in their sole and absolute discretion, as evidenced by the execution thereof.

The Power of Attorney dated the 8th day of August 2005 in relation to the above-mentioned matters is hereby revoked and cancelled as of the date hereof.

The Bank hereby ratifies and confirms all that the said Attorney(s)-in-Fact may have done or caused to be done or do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF** the duly authorized representatives of the Bank have affixed their respective signatures in the City of Toronto, this 19th day of December 2005.

**ROYAL BANK OF CANADA**

per: _____
Jim Archer-Shee
Executive Vice-President

per: _____
Mark Hughes
Senior Vice-President

RBC
Royal Bank

Dear Sirs:

We hereby confirm that any one of the individuals identified below are duly authorized to sign and deliver Agreements under Power of Attorney on behalf of Royal Bank of Canada and set out below is a sample of their true signatures.

| | |
|---|---|
| Susan Heard | Susan Heard |
| Irene Klausmann | Irene Klausmann |
| Bryan Osmar | Bryan Osmar |
| Ruth Preston | Ruth Preston |

Dated at Toronto this 4th day of Nov, 2005

Yours truly,

Bryan Osmar

Bryan Osmar
Senior Vice President
Royal Bank of Canada



# INTEREST RATE SWAP INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. 498773

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the full and complete payments of (i) amounts that are Due for Payment (as defined below) by or on behalf of Richmond Community Redevelopment Agency (the "Obligor") under the Swap Transaction by and between the Obligor and Royal Bank of Canada (the "Counterparty") bearing Ref. No. 1479656 / 1521329 dated June 26, 2007 (the "Confirmation"), governed by the ISDA Master Agreement and the Schedule thereto dated as of June 26, 2007, by and between the Obligor and the Counterparty (the "Master Agreement", and collectively with the Confirmation, the "Agreement"), to the Counterparty as such payments are Due for Payment (as defined below) but shall not be so paid in accordance with the terms of the Agreement and (ii) the reimbursement of any such payment described in (i) which is subsequently recovered from the Counterparty pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to the Counterparty within the meaning of any applicable bankruptcy law and, in either case, for which a Demand for Payment in the form attached hereto as Attachment 1 (the "Demand for Payment") has been presented to the Insurer in accordance with the terms of this Policy, provided that unless the Option (as defined below) is exercised by the Insurer the amount available hereunder for payment pursuant to any one Demand for Payment shall not exceed the regularly scheduled amount set for the applicable Payment Date (as defined in the 2000 ISDA Definitions incorporated into the Agreement) minus any amount payable in the same currency by the Counterparty on such Payment Date (the "Policy Coverage"), provided, further, that the Policy Coverage shall never exceed the amount that is Due for Payment. As used herein, the term "Due for Payment" refers to amounts that are required to be paid by the Obligor on each regularly scheduled Payment Date stated in the Agreement, as the same may be reduced from time to time in accordance with the terms of the Agreement, and does not refer to any other amount that may otherwise be payable by the Obligor pursuant to the Agreement, including, but not limited to, fees, expenses or penalty rates. If a Demand for Payment is made under this Policy, the Insurer will continue to make regularly scheduled payments under the Agreement unless the Insurer elects, at its sole option, to direct the Counterparty to designate an Early Termination Date (as defined in the Agreement) on a specified future date (which election can be made at the time the initial Demand for Payment has been made or at any time thereafter). If the Insurer directs the Counterparty to designate an Early Termination Date (the "Option"), the Insurer will pay to the Counterparty any amount due

SPECIMEN



from the Obligor as a result of the designation of such Early Termination Date following receipt of a Demand for Payment with respect to such amount.

1. Upon the later of (i) three Business Days (as defined below) after receipt by the Insurer of a Demand for Payment, duly executed by the Counterparty; or (ii) the Payment Date stated in the Agreement and specified in the Demand for Payment presented by the Counterparty to the Insurer, and after giving effect to any applicable grace period provided in the Agreement, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Counterparty, of amounts that are then due to the Counterparty (as specified in the Demand for Payment) subject to the Policy Coverage. Upon receipt of an instrument of assignment, in the form attached hereto as Attachment 2 (the "Assignment"), U.S. Bank Trust National Association shall disburse to the Counterparty such amounts as are then due to the Counterparty. Upon such payment, the Insurer shall have the right to receive payment from the Obligor to the extent of such payment by the Insurer and the Insurer shall be fully subrogated to, and shall be vested with, all of the Counterparty's rights under the Agreement to such amounts paid by the Insurer and as further set forth in the Assignment until such nonpayment has been cured by the Obligor and the Insurer shall have been reimbursed in full by the Obligor for amounts paid to the Counterparty as a result of a nonpayment. The Insurer shall have the absolute right and discretion, without notice to the Counterparty or the Obligor, to exercise or fail to exercise any right, power or remedy that the Insurer may have hereunder, by operation of law, under the Assignment or under any other assignment or instrument required by the Assignment. The Insurer shall have no liability to the Counterparty or the Obligor for any loss, damage or injury resulting from the Insurer's exercise or failure to exercise any such right, power or remedy.

SPECIMEN

2. Demand for Payment hereunder may be made by prepaid telecopy, telex or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Policy, the Insurer shall, within one Business Day, give notice to the Counterparty that such Demand for Payment was not effected in accordance with the terms and conditions of this Policy and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Policy, the Counterparty may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Counterparty is entitled and able to do so.

3. The amount payable by the Insurer under this Policy pursuant to a particular Demand for Payment shall be limited to the Policy Coverage, unless such Demand for Payment is with respect to an amount due from the Obligor as a result of the designation of an Early Termination Date at the direction of the Insurer.

4. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504, and such service of process shall be valid and binding.

mbia

5. This Policy is noncancellable for any reason. The term of this Policy shall expire upon the expiration or earlier termination of the Agreement.

6. The premium payable on this Policy is not refundable for any reason, including the early termination of the Agreement.

7. This Policy shall be governed by and interpreted under the laws of the State of New York. Any suit hereunder in connection with any payment may be brought only by the Counterparty within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Policy and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Counterparty to deliver to the Insurer a Demand for Payment pursuant to the terms of this Policy, whichever is earlier.

8. This Policy, including Attachments 1 and 2 and any endorsements hereto, sets forth in full the terms of the obligations of the Insurer. Reference in this Policy to other documents or instruments is for identification purposes and such reference shall not modify or effect the terms hereof or cause such documents or instruments to be deemed incorporated herein.

9. This Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

10. "Business Day" means any day other than a day on which banks located in the City of New York, New York are authorized by law to close or on which the New York Stock Exchange is closed for business.

SPECIMEN

IN WITNESS WHEREOF, the Insurer has caused this Policy to be executed in facsimile on its behalf by its duly authorized officers, this 12th day of July, 2007.

MBIA INSURANCE CORPORATION

President

Assistant Secretary

mbia

Attachment 1
Interest Rate Swap
Insurance Policy
No. 498773

**DEMAND FOR PAYMENT**

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

Attention: President

Reference is made to the Interest Rate Swap Insurance Policy No. 498773 (the "Policy") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy unless the context otherwise requires.

SPECIMEN

Royal Bank of Canada (the "Counterparty") hereby certifies that:

[(a) Richmond Community Redevelopment Agency (the "Obligor") has failed to make a payment due under the Agreement (attached hereto as Exhibit A). In accordance with the provisions of the Agreement, such amount was payable by the Obligor to the Counterparty on (the "Payment Date") in an amount equal to $ (the "Amount Due").] or

[(a) After notice, Richmond Community Redevelopment Agency (the "Obligor") has failed to make a payment due under the Agreement (attached hereto as Exhibit A) as a result of the designation of an Early Termination Date at the direction of the Insurer. In accordance with the provisions of the Agreement, such amount was calculated as follows:

[CALCULATION]

and was payable by the Obligor to the Counterparty on (the "Payment Date") in an amount equal to $ (the "Amount Due").]

(b) The amount paid to the Counterparty by or on behalf of the Obligor on the Payment Date was $ less than the Amount Due (the "Deficiency").



(c) A fully executed Assignment of Rights (in the form of Attachment 2 to the Policy) is attached with respect to the amount of the Deficiency.

A copy of the notice prepared by the calculation agent under the Agreement with respect to the calculation period for which such payment is due is attached hereto.

The Counterparty hereby requests that payment of the Deficiency (subject to the terms of the Policy, including the Policy Coverage, when applicable) be made by the Insurer under the Policy and directs that payment under the Policy be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy:

[Counterparty Account].

*Any Person Who Knowingly And With Intent To Defraud Any Insurance Company Or Other Person Files An Application For Insurance Or Statement Of Claim Containing Any Materially False Information, Or Conceals For The Purpose Of Misleading, Information Concerning Any Fact Material Thereto, Commits A Fraudulent Insurance Act, Which Is A Crime, And Shall Also Be Subject To A Civil Penalty Not To Exceed Five Thousand Dollars And The Stated Value Of The Claim For Each Such Violation.*

SPECIMEN

**ROYAL BANK OF CANADA**

By _____

Its _____



Attachment 2
Interest Rate Swap
Insurance Policy
No. 498773

**THE ASSIGNMENT OF RIGHTS**

IN CONSIDERATION of the sum of Dollars ($ ) to be paid to Royal Bank of Canada (the "Counterparty") under Policy No. 498773, representing money owed to the Counterparty by Richmond Community Redevelopment Agency (the "Obligor") under the Swap Transaction by and between the Obligor and the Counterparty bearing Ref. No. 1479656 / 1521329 dated June 26, 2007 (the "Confirmation"), governed by the ISDA Master Agreement and the Schedule thereto, dated as of June 26, 2007, by and between the Obligor and the Counterparty (the "Master Agreement", and collectively with the Confirmation, the "Agreement"), the Counterparty:

(i) HEREBY ASSIGNS, TRANSFERS AND SUBROGATES to MBIA Insurance Corporation (the "Insurer") all rights, claims and rights of action, to the extent of the amount above stated, to payment of amounts now Due for Payment under the Agreement. The foregoing assignment is in addition to and not in limitation of, all rights of subrogation otherwise available to the Insurer in respect of such payments. Payments to the Insurer in respect of the foregoing assignment, or pursuant to any such rights of subrogation, shall in all cases be subject to and subordinate to the rights of the Counterparty to receive all amounts that are Due for Payment under the Agreement. The Counterparty shall take such actions and deliver such instruments as may be reasonably requested or required by the Insurer to effectuate the purpose or provisions of this clause (i) to the extent such actions or instruments would not compromise or conflict with Counterparty's rights hereunder and under the Agreement and so long as the Insurer pays the reasonable expenses of Counterparty in connection with the taking of such actions and delivery of such documents. Subject to the foregoing, to the extent that, after the time the Demand for Payment and this Assignment of Rights is delivered, the Counterparty receives for final credit any amounts against the amounts that are Due for Payment under the Agreement that are the subject of such Demand for Payment and this Assignment of Rights (whether by payment from the Obligor, realization upon any collateral held by the Counterparty securing such amounts or by reason of any other thing or event), the Counterparty shall promptly so notify the Insurer and, if the Insurer has already made payment of the full amount claimed under the Demand for Payment, the Counterparty shall immediately refund the portion of such payment as would have reduced its claim thereunder.

SPECIMEN



(ii) hereby appoints the Insurer as agent and attorney-in-fact for the Counterparty in any legal proceeding with respect to amounts that are Due for Payment under the Agreement to the extent paid by the Insurer under the Policy.

(iii) hereby agrees that the Insurer may at any time during the continuation of any proceeding by or against the Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, reorganization, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made by the Obligor with respect to the amounts that are Due for Payment under the Agreement (a "Preference Claim"), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of the Insurer and (C) the posting of any surety, supersedeas or performance bond pending any such appeal; provided, however that such agreement is subject to the condition that the Insurer's exercise of its rights must permit the reversion at any time of any then-future exercise of such rights to the Counterparty pursuant to the Reversion (as defined below). In addition, the Counterparty hereby agrees that the Insurer shall be subrogated to, and the Counterparty hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Counterparty in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order sought or issued in connection with any such Insolvency Proceeding; provided, however that such delegation and assignment of rights is subject to the condition that the Insurer's exercise of its rights must permit the reversion at any time of any then-future exercise of such rights to the Counterparty pursuant to the Reversion (as defined below). If either (a) the Insurer subsequently fails to make a payment required under the Policy, or (b) the Insurer has been downgraded and the Counterparty elects (pursuant to the terms of the Agreement) to terminate the Agreement without the prior written consent of the Insurer, then in either such case, any rights assigned and any rights derivative of the rights assigned (including, but not limited to any claims which may have been filed) shall revert to the Counterparty (collectively, the "Reversion").

SPECIMEN

IN WITNESS WHEREOF, the undersigned has executed this Assignment of Rights on the day of

**ROYAL BANK OF CANADA**

By _____

Title _____

HEDGE IDENTIFICATION
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Maturing September 1, 2036

The Richmond Community Redevelopment Agency of the City of Richmond (the "Agency") hereby records the following in accordance with Treasury Regulation Section 1.148-4(h)(2) in order to satisfy certain of the requirements for the following described hedge (the "Hedge") to be a qualified hedge within the meaning of said regulation with respect to the following described bonds (the "Bonds"):

1. Description of Hedge and Identification of Hedge Provider.

   a. The Hedge is an interest rate swap under which the Agency pays a fixed rate of 3.990% and receives 68% of USD-LIBOR-BBA commencing July 12, 2007, on an amount set forth in the Hedge.

   b. The initial notional amount of the Hedge is $65,530,000.

   c. The Hedge was priced on June 26, 2007, and the Agency and the Hedge Provider executed the confirmation of the Hedge as of such date.

   d. Payments by the Agency under the Hedge are to be made one Business Day prior to each Fixed Rate Payer Period End Date, initially Thursday, August 16, 2007, and then each fifth Thursday thereafter, to and including the Termination Date. Payments by the Hedge Provider under the Hedge are to be made one Business Day prior to each Floating Rate Payer Period End Date, initially Thursday, August 16, 2007, and then each fifth Thursday thereafter, to and including the Termination Date. Payments by the Agency to the Hedge Provider are to be made from the same revenues that, absent the Hedge, would be used to make payments on the Bonds.

   e. The nominal counterparty is Royal Bank of Canada (the "Hedge Provider") as set forth in the Hedge.

   f. The confirmation of the Hedge is incorporated herein by reference.

2. Governmental Purpose.

   The Bonds are issued to finance costs of improvements within the redevelopment area of the Agency that qualify for tax-exempt financing under the Internal Revenue Code.

3. Identification of Bonds.

Indenture: Indenture of Trust, as supplemented by a First Supplemental Indenture, each dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A.

Name of Bonds: Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A

Maturity: September 1, 2036

4. Principal Amount.

The Bonds are expected to be issued on the following date in the following amount:

Expected issue date: July 12, 2007

Principal amount: $65,530,000

Issue price: $65,530,000

5. Manner of Computation of Interest.

The Bonds are expected to bear interest at a variable rate of interest, adjusted and payable every 35 days.

6. The Hedge will not result in the Bonds being treated by the Agency as fixed yield bonds.

7. Paragraph (h)(5)(iii) of Treasury Regulations Section 1.148-4 applies to the Hedge.

Dated: June 26, 2007.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

BY: _____

Name: _____

Title: Steven Duran Executive Director

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) 2007 SERIES A**

## CERTIFICATE OF THE AGENCY PURSUANT TO SECTION 5922 OF THE CALIFORNIA GOVERNMENT CODE

Pursuant to (i) the 2007 Confirmation, dated June 26, 2007, by and between the Richmond Community Redevelopment Agency (the "Agency") and the Royal Bank of Canada relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds") (together with the Master Agreement and Schedule referred to therein, the "Swap Agreement"), (ii) the Series 2007A Bonds, and (iii) Section 5922 of the California Government Code (the "Hedge Contract Law") the undersigned does hereby certify as follows:

(a) that he is the duly appointed and qualified Executive Director of the Agency and as such is one of the officers of the Agency responsible for matters relating to the Swap Agreement and the Series 2007A Bonds;

(b) that the Swap Agreement was entered into by the Agency in connection with the issuance and carrying of the Series 2007A Bonds, as evidenced by the coordination of the execution of the Swap Agreement and the sale of the Series 2007A Bonds and by the facts that the principal amount of the Series 2007A Bonds equals the notional amount of the Swap Agreement and that the amortization schedule of the Swap Agreement is substantially the same as the amortization of the Series 2007A Bonds; and

(c) that, in accordance with and as required by Resolution 07-9, adopted by the Agency on June 5, 2007, the entry into the Swap Agreement is designed to result in a lower cost of borrowing when used in combination with the issuance and carrying of the Series 2007A Bonds.

Dated: July 12, 2007.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Steven Duran, Executive Director

RBC Financial Group

**Emily Jelich**
Assistant General Counsel

200 Bay Street
RBC Law Group
14th Floor, North Tower
Royal Bank Plaza,
Toronto, Ontario M5J 2J5

Tel: (416) 974-5526
Fax: (416) 974-2217
Email: emily.jelich@rbccm.com

July 11, 2007

Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, CA
USA, 94804

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
USA

Dear Sirs/Mesdames:

**RE: ISDA Master Agreement dated as of June 26, 2007 between Royal Bank of Canada (the "Bank") and Richmond Community Redevelopment Agency (the "Counterparty")**

I am Assistant General Counsel to Royal Bank of Canada (the "Bank"), a Canadian chartered bank and am delivering this opinion in connection with the ISDA Master Agreement (Multi Currency-Cross Border) between the Bank and the Counterparty dated as of June 26, 2007 (the "ISDA Master"), which includes the Schedule relating thereto (the "Schedule"), and an interest rate swap confirmation dated June 26, 2007 with the Bank reference number 1479656/1521329 (the "Confirmation", and together with the ISDA Master, and the Schedule, the "Master Agreement"). This opinion is delivered to you pursuant to Part 3 of the Schedule.

**Scope of Investigations**

In connection with the giving of the opinions expressed below, I have examined the following documents:

(a) a signed copy of the Master Agreement;

(b) a photocopy of a power of attorney dated December 19, 2005 and a power of attorney dated March 20, 2007 (the "Powers of Attorney") executed by two duly authorized representatives of the Bank appointing, respectively, (i) any one of the persons named therein to execute and deliver agreements on behalf of the Bank documenting financial transactions including, without limitation, swaps and other derivative transactions being the types of transactions contemplated under the Master Agreement and (ii) the persons named therein to execute, among other things, documentation for interest rate swap transactions; and

(c) a photocopy of an extract of a resolution passed by the Board of Directors of the Bank on October 14, 2004 and as amended on November 30, 2004, August 26, 2005, October 18, 2005, December 9, 2005, April 11, 2006, August 25, 2006 and January 23, 2007 (the "Resolution") certified on February 8, 2007 by an Assistant Corporate Secretary of the Bank authorizing, among other things, the Powers of Attorney.

I have also examined such statutes and public records and have considered such questions of law as I have considered relevant or necessary for the purposes of the opinions expressed herein. In giving this opinion, I assume the genuineness of all signatures (other than the signatures of persons signing on behalf of the Bank), the authenticity of all documents submitted to me as originals and the conformity to original documents of all documents submitted to me as certified or photocopies and the authenticity of the originals of such latter documents.

**Assumptions and Limitations**

I have assumed the legal capacity of the Counterparty and that the Master Agreement has been duly authorized, executed and delivered by, and constitutes a legal and binding obligation of, the Counterparty.

I have also assumed that the details of the Confirmation accurately reflect the content of the trade agreed to by the Bank and the Counterparty via telephone in respect thereof.

I am qualified to practice law in the Province of Ontario and my opinion is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Capitalized terms used herein and not defined herein have the meanings attributed to them in the Master Agreement.

**Opinions**

Based on and subject to the foregoing and the qualifications hereinafter expressed, I am of the opinion that:

1. The Bank is a Canadian bank incorporated under and governed by the *Bank Act* (Canada).

2. The Bank has all necessary corporate power and authority to enter into and perform its obligations under the Master Agreement.

3. The Bank has taken all necessary corporate action to authorize the execution, delivery and performance of the Master Agreement.

4. The Master Agreement has been duly executed and delivered by the Bank.

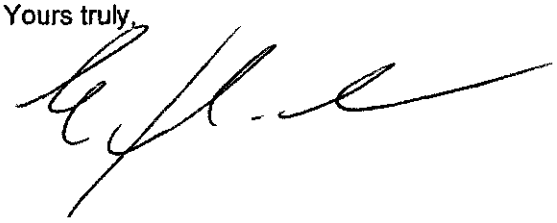
5. No consent or approval of, or filing or registration with, any governmental department, agency, commission or regulatory authority of the Province of Ontario or Canada is required in connection with the execution, delivery and performance of the Master Agreement by the Bank.

**Qualifications**

The opinions expressed herein are subject to the qualification that I express no opinion relating to any Confirmation or Transaction, other than the Confirmation expressly referred to herein and the Transaction to which such Confirmation relates.

The opinions set forth herein may be relied upon only by the addressees and may not be relied upon by any other person, firm or corporation. This opinion letter is not to be used, circulated, quoted or otherwise referred to for any other purpose without my prior written approval in each instance. The opinion letter is limited to the matters stated herein and does not extend to and is not to be read as extending by implication to any other matters not referred to herein, and I have no responsibility or obligation to update this opinion letter or take into account changes in law, facts or any other development of which I may later become aware. This opinion letter is being rendered in my capacity as an employee of the Bank and not in my personal capacity and is being given without personal liability on my part.

Yours truly,



KUTAK ROCK LLP

SUITE 2050
ONE SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606-4614

312-602-4100
FACSIMILE 312-602-4101

www.kutakrock.com

ATLANTA
DENVER
DES MOINES
FAYETTEVILLE
IRVINE
KANSAS CITY
LITTLE ROCK
LOS ANGELES
OKLAHOMA CITY
OMAHA
RICHMOND
SCOTTSDALE
WASHINGTON
WICHITA

July 11, 2007

Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, CA 94804

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

Master Agreement dated as of June 26, 2007 between Royal Bank of Canada and Richmond Community Redevelopment Agency and Confirmation dated June 26, 2007

Ladies and Gentlemen:

We have served as special U.S. counsel to Royal Bank of Canada (the "Bank"), solely for the purpose of giving this opinion in connection with the ISDA Master Agreement dated as of June 26, 2007 (the "Master Agreement", which includes the Schedule and Credit Support Annex thereto) and the Confirmation dated June 26, 2007 (the "Confirmation", and together with the Master Agreement, the "Agreement") each between the Bank and Richmond Community Redevelopment Agency (the "Counterparty"). This opinion is being delivered pursuant to the requirements of Part 3 of the Schedule to the Master Agreement. Capitalized terms used in this letter and not defined shall have the definitions given to them in the Agreement.

We understand that you have received the opinion of Ms. Emily Jelich, Assistant General Counsel of the Bank, relating to the Agreement and addressed to you (the "AGC Opinion"). We understand that as to the matters set forth in the AGC Opinion, you are relying on the AGC Opinion and not this opinion.

In giving the opinions expressed in this letter, we have assumed, without investigation, that:

1. the Bank is duly incorporated and validly existing under the laws of the jurisdiction of its incorporation;

2. the Bank has all necessary corporate power and authority to enter into and perform its obligations under the Agreement;

3. the Bank has taken all necessary corporate action to authorize the execution, delivery and performance of the Agreement; and

4. the Agreement has been duly executed and delivered by the Bank.

In connection with the rendering of this opinion, we have examined the Agreement and such other documents, records and instruments as we have deemed necessary in connection with the rendering of this opinion.

Based upon the foregoing, we are of the opinion that the Agreement constitutes the legal, valid and binding obligation of the Bank, enforceable against the Bank in accordance with its terms.

**Certain Assumptions**

With your permission, we have assumed the following:

(a) the authenticity of original documents and the genuineness of all signatures;

(b) the conformity to the originals of all documents submitted to us as copies;

(c) the truth, accuracy and completeness of the information, factual matters, representations and warranties contained in the records, documents, instruments and certifications we have reviewed; and

(d) that the documents referred to herein were duly authorized, executed and delivered on behalf of the respective parties thereto and that such documents are legal, valid and binding obligations of such parties other than the Bank.

**Certain Limitations and Qualifications**

Our opinion that any document is valid or binding on or enforceable in accordance with its terms is subject to:

(a) limitations imposed by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally;

(b) general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(c) the unenforceability under certain circumstances of provisions imposing penalties, forfeiture, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of any event of default; and

(d) rights to indemnification and contribution which may be limited by applicable law or equitable principles or otherwise unenforceable as against public policy.

The opinions expressed herein are also subject to the following qualifications:

(a) we express no opinion as to the effect of any federal or state securities laws or antitrust laws or as to the title to any assets or the creation, attachment, perfection, priority or enforcement of any security interest granted or conveyed under the Agreement;

(b) certain of the remedial provisions with respect to the obligations of the Bank under the Agreement, including waivers with respect to the exercise of such remedies and including Section 6 of the Master Agreement to the extent they may require payment of amounts in excess of actual damages, may be unenforceable in whole or in part, but the inclusion of any such provision in the Agreement does not affect the validity of the Agreement and the Agreement, together with applicable law, contains adequate provisions for the practical realization of the benefits of the Agreement;

(c) we express no opinion as to the enforceability of any agreement by the Bank to use its best or reasonable efforts to perform any action or achieve any result or of any agreement by the parties to mutually agree upon a matter in the future;

(d) we express no opinion as to the enforceability of any provision providing that the Agreement may be amended only in writing or that any provision may be waived only in writing;

(e) we express no opinion with respect to the validity, binding effect or enforceability of any provision of the Agreement purporting to establish evidentiary standards or a consent to jurisdiction and venue or waiving service of process or demand or notice and hearing or constitutional rights (including a jury trial) or purporting to eliminate any obligation to marshall assets;

(f) we express no opinion with respect to any severability provisions of the Agreement;

(g) we express no opinion as to the enforceability of Section 7 of the Master Agreement and Part 6(1)(xv) of the Schedule to the Master Agreement to the extent that they conflict with Section 9-406(d) of the New York Uniform Commercial Code; and

(h) the choice of New York law to govern the Agreement may not be effective if the application of New York law would be contrary to a fundamental policy of a state or country which has a materially greater interest than New York in a particular issue and which has the most significant relationship to the parties and the transaction.

We express no opinion with respect to the effect of laws, other than the laws and regulations of the State of New York and the federal law of the United States of America in full force and effect on the date hereof, upon the validity and binding effect of the Agreement or upon any other matter set forth in this opinion.

This opinion is limited to the matters expressly set forth above, and no opinion is implied or may be inferred beyond the matters expressly so stated. This opinion is delivered to you in connection with the above-referenced transaction and may not be utilized or quoted by you for any other purpose whatsoever or relied upon by or delivered to any other person without our prior written consent except that copies of this opinion may be utilized by or quoted by you to (collectively, "published to") (a) any reinsurer (or risk transferee) of MBIA Insurance Corporation ("Insurer") or prospective reinsurer (or risk transferee) of the Insurer; (b) any rating agency or regulatory agency or authority then rating or regulating the Insurer (including, but not limited to the National Association of Insurance Commissioners); (c) any accountant or lawyer for any person entitled to rely upon this opinion or to whom it may be published; or (d) pursuant to the order of any court or regulator of any person entitled to rely upon this opinion or to whom it may be published. We disclaim any obligation to update this opinion letter for events occurring or coming to our attention after the date hereof.

Very truly yours,

Kutak Rock LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

tel +1-415-773-5700
fax +1-415-773-5759

WWW.ORRICK.COM

July 12, 2007

Royal Bank of Canada
Toronto, Ontario

MBIA Insurance Corporation
Armonk, New York

Re: Interest Rate Swap Confirmation,
dated June 26, 2007

Ladies and Gentlemen:

We have acted as special counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with a confirmation (the "Confirmation") between the Agency and Royal Bank of Canada (the "Provider"), dated as of June 26, 2007, executed pursuant to the ISDA Master Agreement between the Agency and the Provider, dated June 26, 2007, as supplemented by the Schedule thereto, dated June 26, 2007 (together, the "Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement, or if not in the Agreement, in the Indenture (as defined below).

We understand that the Confirmation was entered into by the Agency in connection with, or incidental to, the issuance or carrying of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds, 2007 Series A (the "Bonds"). It is further our understanding that the Confirmation was entered into by the Agency in order to, and based on a determination by its governing body that the Agreement is designed to, receive amounts expected to be approximately equal to the floating rate interest payments the Agency is obligated to make with respect to the Series 2007A Bonds in exchange for making fixed rate payments.

We have reviewed the Agreement, the authorizing resolution adopted by the Agency on June 5, 2007, the Indenture of Trust and the First Supplemental Indenture, each dated as of July 1, 2007 (together, the "Indenture"), an opinion of Agency Counsel dated the date hereof and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinion expressed herein is based on an analysis of existing laws, including Section 5922 of the California Government Code, and court decisions and cover certain matters not directly addressed by such authorities. Such opinion 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, 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 copies) and the due and legal execution and delivery thereof by all parties and validity against any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed, without undertaking to verify, compliance with all covenants and agreements contained in the Agreement, the Indenture and other relevant documents. In addition, we call attention to the fact that the rights and obligations under the Agreement, the Indenture and other relevant documents and their enforceability may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, 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 limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, forfeiture, set-off, late payment charge, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described herein, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Agreement or any incorporated or related document or the accuracy or sufficiency of the description therein of, or the remedies available to enforce liens on, any such assets. Further, we express no opinion as to the Agency's obligation to pay any Settlement Amount to the Provider upon the occurrence of the Event of Default with respect to the Provider or a Termination Event for which the Provider is the sole Affected Party.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agreement is the valid and binding obligation of the Agency.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the Parity Obligations (including scheduled payments due from the Agency under the Agreement, and excluding Termination Payments, if any), of the Subordinate Pledged Tax Revenues and any

other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Indenture creates a valid pledge of the Subordinate Pledged Tax Revenues, to secure the payment of Termination Payments as Subordinated Obligations; provided that, such pledge is subordinate and junior in all respects to the pledge of such revenues to secure Parity Obligations, 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.

This opinion is furnished by us as special counsel to the Agency and applies only to the swap transactions established by and in reference to the Confirmation and not to any other swap or other transactions whether entered into pursuant to the Master Agreement and Schedule or otherwise. The opinions expressed herein are limited to the laws of the State of California and the State of New York. No attorney-client relationship has existed or exists between our firm and the Provider (or any related entity) or the Swap Insurer in connection with the Agreement or by virtue of this opinion. This opinion is delivered to the Provider and the Swap Insurer solely for their benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This opinion is not intended to, and may not, be relied upon by the holder of any Bond.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

goldfarb lipman attorneys

1300 Clay Street, Ninth Floor
Oakland, California 94612
510 836-6336

M David Kroot
Lee C. Rosenthal
John T. Nagle
Polly V. Marshall
Lynn Hutchins
Karen M. Tiedemann
Thomas H. Webber
John T. Haygood
Dianne Jackson McLean
Michelle D. Brewer
Jennifer K. Bell
Robert C. Mills
Isabel L. Brown
James T. Diamond, Jr.
William F. DiCamillo
Margaret F. Jung
Heather J. Gould
Juliet E. Cox
Erica Kyle Williams
Amy DeVaudreuil
Barbara E. Kautz
Luis A. Rodriguez

July 12, 2007

MBIA Insurance Corporation
113 King Street
New York, NY 10504

Royal Bank of Canada
10th Floor, So. Tower Royal, Bank Plaza
200 Bay Street,
Toronto, Ontario M5J 2J5, Canada

Re: Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Area) 2007 Series A and Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B Bonds (collectively, the "Bonds")

Dear Ladies and Gentlemen:

We have acted as special counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of the Bonds and the ISDA Master Agreement, dated as of June 26, 2007, between the Agency and the Royal Bank of Canada (the "Bank") (the "Swap Agreement", which includes the Schedule thereto) and the Confirmation dated as of June 26, 2007, between the Agency and Bank (the "Confirmation", and together with the Swap Agreement, the "Transaction Documents").

In connection with this opinion, we have examined the Transaction Documents and the documents related to issuance of the Bonds (the "Bond Documents") and such documents and records of the Agency, certificates of officers of the Agency and such other documents as we have deemed necessary or appropriate for the purposes of this opinion. We have not attempted to independently verify the correctness or validity of documents prepared and procedures recommended by bond counsel or disclosure counsel in connection with the issuance of the Bonds, and in this respect, we have relied upon certificates of officials of the Agency and upon written opinions and letters received from the Agency and bond counsel. We have assumed, without investigation, the accuracy of the representations, warranties and covenants as to factual matters made by various parties and by public officials. Further, we have assumed, without investigation, the correctness of all certificates, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals

Facsimile
510 836-1035
San Francisco
415 788-6336
Los Angeles
213 627-6336
San Diego
619 239-6336
Goldfarb & Lipman LLP

of such copies, and the accuracy and completeness of all records made available to us. In the course of our examinations, we have, with your permission, assumed (i) that all signatures, other than that of the Agency, are genuine; (ii) that the Transaction Documents and Bond Documents have each been duly executed and delivered pursuant to due authorization by all parties, other than the Agency, to each such agreement; and (iii) that such documents are enforceable against such other parties in accordance with their respective terms.

With respect to matters stated below to be "to the best of our knowledge," such knowledge is limited to (a) information obtained by us from discussions we have had with Agency representatives in connection with our representation of the Agency; (b) representations and statements made by the Agency in the Transaction Documents and the Bond Documents; and (c) our review of the Transaction Documents, the Bond Documents, the Agency's organizational documents and the resolution authorizing the Bonds and the Transaction Documents (the "Resolution"). We call your attention to the fact that we have not made any independent review or investigation of any agreements, instruments, orders, judgments, or decrees by which the Agency may be bound, except for our review of the Transaction Documents, the Bond Documents, the organizational documents of the Agency and the Resolution, nor have we made any independent review or investigation as to actions of any governmental bodies, appeals of or conditions to those actions, or authority to take such actions in connection with the Agency; provided that nothing has come to our attention that the information we have obtained from the Agency is inaccurate.

Based upon the foregoing, we are of the opinion that:

1. The Agency is duly organized, validly existing, and in good standing as a redevelopment agency under the Constitution and laws of the State of California.

2. The Agency has the power and is authorized to enter into, execute and deliver the Transaction Documents and to perform its obligations thereunder, and has taken all necessary action to authorize such execution and delivery and performance of such obligations.

3. The execution and delivery of the Transaction Documents and performance of the Transaction Documents do not violate, conflict with, or constitute, a breach of or default under, any law applicable to the Agency, any provision of its organizational documents, or, to the best of our knowledge, any order or judgment of any court or other agency of government applicable to it or, any of its assets or, to the best of our knowledge, any contractual restriction binding on or affecting it or any of its assets.

4. All governmental consents and other consents required by the organizational documents of the Agency and, to the best of our knowledge, all other consents (except as may be required under applicable securities laws) that are required to have been obtained by the Agency with respect to the Transaction Documents have been obtained, are in full force and effect and all conditions of any such consents have been complied with.

5. There is not pending or, to the best of our knowledge, threatened against the Agency, any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of the Transaction Documents or its ability to perform its obligations under the Transaction Documents.

We are licensed to practice law in the State of California and in federal court only and therefore do not express an opinion with respect to the laws of any other state. This opinion applied only to matters referred to herein and existing on this date. This opinion is solely for the benefit of the addressees and is not to be relied upon by any other person or used, circulated, quoted, or otherwise referred to for any purpose.

Very truly yours,

Goldfarb & Lipman LLP

GOLDFARB & LIPMAN

KUTAK ROCK LLP

SUITE 1100
18201 VON KARMAN AVENUE
IRVINE, CALIFORNIA 92612-1077

949-417-0999
FACSIMILE 949-417-5394

www.kutakrock.com

ATLANTA
CHICAGO
DENVER
DES MOINES
FAYETTEVILLE
KANSAS CITY
LITTLE ROCK
LOS ANGELES
OKLAHOMA CITY
OMAHA
PASADENA
RICHMOND
SCOTTSDALE
WASHINGTON
WICHITA

July 12, 2007

Royal Bank of Canada
2nd Floor, Royal Bank Plaza
200 Bay Street
Toronto, Ontario
CANADA M5J 2W7

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Richmond, California)
$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Ladies and Gentlemen:

We have acted as special counsel to the MBIA Insurance Corporation (the "Corporation") in connection with the issuance of Interest Rate Swap Insurance Policy No. 498773 (the "Swap Policy") relating to the Swap Transaction bearing Ref. No. 1479656 / 1521329 dated June 26, 2007, governed by the ISDA Master Agreement and the Schedule thereto dated as of June 26, 2007, by and between Royal Bank of Canada and Richmond Community Redevelopment Agency, in connection with the above-referenced financing.

We are familiar with and have examined a copy of the Swap Policy and such other relevant documents as we have deemed necessary.

Based upon the foregoing, we are of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Swap Policy under the laws of the State of New York.

2. The Swap Policy has been duly executed and is the valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Swap Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Kutak Rock LLP

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## INCUMBENCY AND SIGNATURE CERTIFICATE OF THE AGENCY

The undersigned hereby state and certify:

(a) that they are the duly elected or appointed, qualified and acting Executive Director and Clerk, respectively, of the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and as such, are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since January 2, 2007, the duly elected or appointed, qualified and acting members of the Agency and the dates of the ending of their respective current terms of office are hereunder correctly designated opposite their names:

| Name | Position | Ending Date of Current Term |
|---|---|---|
| Gayle McLaughlin | Chair | December, 2010 |
| Nathaniel Bates | Vice Chair | December, 2008 |
| Tom Butt | Board Member | December, 2008 |
| Ludmyrna Lopez | Board Member | December, 2010 |
| John E. Marquez | Board Member | December, 2008 |
| Jim Rogers | Board Member | December, 2010 |
| Harpreet Sandhu | Board Member | December, 2008 |
| Tony K. Thurmond | Board Member | December, 2008 |
| Maria Viramontes | Board Member | December, 2010 |

(c) that the signatures set forth opposite the names and titles of the following persons are the true and correct specimens, or are the genuine signatures of such persons, each of whom holds the office designated below:

| Name and Title | Signature |
| --- | --- |
| Nathaniel Bates, Vice Chair | |
| Diane Holmes, Clerk | |
| Steven Duran, Executive Director | |
| James C. Goins, Treasurer | |

(d) and, that for and on behalf of the Agency, the within-named Executive Director has executed the following documents:

(i) the Indenture of Trust relating to the Series 2007A Bonds, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee");

(ii) the First Supplemental Indenture of Trust relating to the Series 2007A Bonds, dated as of July 1, 2007, by and between the Agency and Trustee;

(iii) the Indenture of Trust relating to the Series 2007B Bonds, dated as of July 1, 2007, by and between the Agency and the Trustee;

(iv) the First Supplemental Indenture of Trust relating to the Series 2007B Bonds, dated as of July 1, 2007, by and between the Agency and Trustee;

(v) ISDA Master Agreement, dated as of June 26, 2007, by and between Royal Bank of Canada, as counterparty and the Agency, together with (1) Schedule to the Master Agreement, dated June 26, 2007 and (2) 2007 Interest Rate Swap Confirmation, dated June 26, 2007;

(vi) the Bond Purchase Agreement, dated July 11, 2007, by and among the Agency, the Richmond Joint Powers Financing Authority (the "Authority"), and RBC Dain Rauscher, Inc., doing business under the trade name of RBC Capital Markets (the "Underwriter"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds");

(vii) the Bond Purchase Agreement, dated June 28, 2007, by and among the Agency, the Authority, the Underwriter, relating to the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Area ) (Taxable), 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds");

(viii) the Continuing Disclosure Agreement, dated July 12, 2007, relating to the Bonds; and

(ix) the Official Statement, dated June 28, 2007, relating to the Bonds;

(e) that the bonds designated the "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A," and "Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), 2007 Series B," all dated July 12, 2007, have been executed by the manual or facsimile signatures of the Vice Chair and the Clerk of the Agency.

Dated: July 12, 2007

Steven Duran, Executive Director
Richmond Community Redevelopment Agency

Diane Holmes, Clerk
Richmond Community Redevelopment Agency

**ENDORSED - FILED**
in the office of the Secretary of State
of the State of California

JUL 10 2007

DEBRA BOWEN
Secretary of State

STATE OF CALIFORNIA )
) ss
COUNTY OF CONTRA COSTA )

In accordance with the Uniform Facsimile Signatures of Public Officials Act (Govt. Code §5500 et seq.), I HEREBY CERTIFY under oath my manual signature.

Manual Signature _____

Name: Nathaniel Bates

Title of Office: Vice Chair of the Board
Richmond Community Redevelopment Agency

Subscribed and sworn to (or affirmed)
before me this 9th day of July, 2007,

☐ Personally known to me
☒ Proved to me on the basis of satisfactory evidence to be the person who appeared before me.

_____
Notary Public, State of California

[SEAL]

DELORES MURRAY
COMM. #1498447
NOTARY PUBLIC - CALIFORNIA
CONTRA COSTA COUNTY
My Comm. Expires Jul. 17, 2008

**ENDORSED - FILED**
in the office of the Secretary of State
of the State of California

JUL 10 2007

DEBRA BOWEN
Secretary of State

STATE OF CALIFORNIA )
) ss
COUNTY OF CONTRA COSTA )

In accordance with the Uniform Facsimile Signatures of Public Officials Act (Govt. Code §5500 et seq.), I HEREBY CERTIFY under oath my manual signature.

Manual Signature _____

Name: Diane Holmes

Title of Office: Clerk
Richmond Community Redevelopment Agency

Subscribed and sworn to (or affirmed)
before me this 9th day of July, 2007,

☐ Personally known to me
☒ Proved to me on the basis of satisfactory evidence to be the person who appeared before me.

_____
Notary Public, State of California [SEAL]

PATRICIA E. WYLER
COMM. #1673160
NOTARY PUBLIC • CALIFORNIA
SAN FRANCISCO COUNTY
Comm. Exp. JULY 4, 2010

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF CITY CLERK REGARDING RESOLUTION NO. 54-07

I, Diane Holmes, hereby certify that I am the City Clerk of the City of Richmond, California (the "City"), a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California, and that as such, I am familiar with the facts herein certified and authorized and qualified to execute the same on behalf of the City.

I hereby certify that the attached resolution is the full, true and correct copy of Resolution No. 54-07, adopted at a regular meeting of the members of the City Council held on June 5, 2007, of which meeting all of the members of the City Council had due notice and at which a quorum was present and acting throughout.

I hereby further certify that I have carefully compared the same with the original resolution as so adopted at said meeting of the City Council on file and of record in my office and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

Dated: July 12, 2007

**CITY OF RICHMOND, CALIFORNIA**

By: Diane Holmes
Diane Holmes, City Clerk

RESOLUTION NO. 54-07

A RESOLUTION OF THE CITY COUNCIL OF RICHMOND APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED $70,000,000 OF THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS), AND NOT TO EXCEED $11,000,000 OF THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS AND MAKING FINDINGS IN CONNECTION THEREWITH AS REQUIRED UNDER CALIFORNIA COMMUNITY REDEVELOPMENT LAW

WHEREAS, the Richmond Community Redevelopment Agency (the "Agency"), by its Resolution adopted on June 5, 2007 (the "Resolution") has authorized the issuance and sale of:

(i) not to exceed $70,000,000 aggregate principal amount of its Subordinate Tax Allocation Bonds (Merged Project Areas) (the "Non-Housing Bonds"), to be issued in one or more series, pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Master Non-Housing Indenture"), between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), and a First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture"), between the Agency and the Trustee, relating to the Non-Housing Bonds;

(ii) not to exceed $11,000,000 aggregate principal amount of its Housing Set-Aside Subordinate Tax Allocation Bonds, to be issued in one or more series (the "Housing Bonds," and together with the Non-Housing Bonds, the "Bonds"), pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Master Housing Indenture"), between the Agency and the Trustee, and a First Supplemental Indenture of Trust (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture"), between the Agency and the Trustee, relating to the Housing Bonds; and

WHEREAS, proceeds of the Bonds will also be applied to finance and refinance various capital improvements within the Richmond Community Redevelopment Agency Merged Project Areas, fund the reserve funds for each respective series of Bonds, and to pay or reimburse the Agency for the costs of issuance of the Bonds; and

WHEREAS, this City Council wishes to approve such proposed bond issuance by the Agency; and

WHEREAS, a portion of the proceeds of the bonds authorized and issued hereunder are intended to be used to install and renovate publicly owned facilities and improvements within the Civic Center complex in the City of Richmond, to plan and design a proposed new police station, and to install tenant improvements for a temporary police facility (the "Improvements"); and

WHEREAS, the Agency Board and the City Council have conducted a duly noticed public hearing pursuant to Health and Safety Code Section 33679, and the Agency has prepared and made available for public inspection the summary report required by Health and Safety Code Section 33679 (the "Section 33679 Report"), a copy of which is on file with the City Clerk and incorporated into this Resolution by this reference in connection with the Improvements; and

WHEREAS, the following documents (collectively, the "Supporting Documents") have been presented to and considered by the City Council in support of the findings and approvals set forth in this resolution: (1) the Staff Report that accompanies this Resolution; (2) the Section 33679 Report, and (3) the Redevelopment Plan. The Supporting Documents are hereby incorporated by reference into this Resolution and, together with the above recitals (the "Recitals"), form the evidentiary basis and establish the analytical route for reaching the ultimate findings and conclusions contained in this Resolution.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Richmond that:

Section 1. In connection with the partial funding of Improvements with a portion of the proceeds of the bonds approved hereunder, and in accordance with Section 33445 of the California Health and Safety Code, the City Council hereby finds and determines that:

(a) the Improvements will benefit the Redevelopment Project Area No. 10-B (Nevin) and the immediate neighborhood in which the Improvements are located;

(b) no other reasonable means of financing the Improvements are available to the community that are not being utilized for the Improvements; and

(c) the payment of funds for the Improvements will assist in the elimination of one or more blighting conditions within Redevelopment Project Area No. 10-B (Nevin) and is consistent with the Agency's current implementation plan adopted pursuant to Section 33490 of the California Health and Safety Code.

The City Council hereby consents to use of the bond proceeds approved hereunder for use with the Improvements.

Section 2. The issuance and sale of not to exceed $70,000,000 aggregate principal amount of the Non-Housing Bonds, by the Richmond Community Redevelopment Agency, in accordance with the terms and conditions set forth in the First Supplemental Non-Housing Indenture is hereby approved. The issuance and sale of not to exceed $11,000,000 aggregate principal amount of the Housing Bonds, in one or more series, by the Richmond Community Redevelopment Agency, in accordance with the terms and conditions set forth in the First Supplemental Housing Indenture, is hereby approved. The City Manager or Assistant City Manager, Finance Director, Clerk, City Attorney and all other officers and agents of the City are hereby authorized and directed to take any and all actions on behalf of the City, execute any and all documents, and render any and all opinions necessary or convenient to accomplish the issuance and sale of the Bonds.

Section 3. This Resolution shall take effect from and after its adoption.

I certify that the foregoing resolution was passed and adopted by the City Council of the City of Richmond at a Joint meeting thereof, held on June 5, 2007, by the following vote:

| | |
|---|---|
| AYES: | Councilmembers Bates, Butt, Lopez, Marquez, Rogers, Sandhu, Viramontes and Mayor McLaughlin |
| NOES: | None |
| ABSTENTIONS: | None |
| ABSENT: | Councilmember Thurmond |

DIANE HOLMES
City Clerk of the City of Richmond

(SEAL)

Approved:

GAYLE McLAUGHLIN
Mayor

Certified as a True Copy
DIANE HOLMES
CLERK OF THE CITY OF RICHMOND, CALIF.
BY _____ DEPUTY

Approved as to form:

LOUISE RENNE, Interim
City Attorney

State of California }
County of Contra Costa : ss.
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 54-07, finally passed and adopted by the Council of the City of Richmond at a Joint Meeting held on June 5, 2007.

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF THE AGENCY

The undersigned hereby states and certifies:

(a) that the undersigned, Steven Duran, is the duly appointed, qualified and acting Executive Director of the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that, by all necessary action, the Agency has duly authorized and approved the execution and delivery of the Official Statement, dated June 28, 2007 (the "Official Statement"), relating to $65,400,000 aggregate principal amount of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds") and $9,772,621.50 aggregate principal amount of "Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds"), and the execution and delivery of, and the performance by the Agency of the obligations on its part contained in, the following documents (collectively, the "Agency Documents"):

(i) the Indenture of Trust relating to the Series 2007A Bonds (the "Master Non-Housing Indenture"), dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee");

(ii) the First Supplemental Indenture of Trust relating to the Series 2007A Bonds (the "Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture"), dated as of July 1, 2007, by and between the Agency and Trustee;

(iii) the Indenture of Trust relating to the Series 2007B Bonds (the "Master Housing Indenture"), dated as of July 1, 2007, by and between the Agency and the Trustee;

(iv) the First Supplemental Indenture of Trust relating to the Series 2007B Bonds (the "Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture"), dated as of July 1, 2007, by and between the Agency and Trustee;

(v) ISDA Master Agreement, dated as of June 26, 2007, by and between Royal Bank of Canada, as counterparty, and the Agency, together with (1) Schedule to the Master

Agreement, dated June 26, 2007 and (2) 2007 Interest Rate Swap Confirmation, dated June 26, 2007;

(vi) the Bond Purchase Agreement, dated July 10, 2007, by and among the Agency, the Richmond Joint Powers Financing Authority (the "Authority"), and RBC Dain Rauscher, Inc., doing business under the trade name of RBC Capital Markets (the "Underwriter"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds");

(vii) the Bond Purchase Agreement, dated June 28, 2007, by and among the Agency, the Authority and the Underwriter, relating to the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds");

(viii) the Continuing Disclosure Agreement, dated July 12, 2007, relating to the Bonds;

(ix) the Official Statement, dated June 28, 2007, relating to the Bonds; and

(x) the Bonds;.

(c) that the representations, warranties and covenants of the Agency contained in the Agency Documents are true and correct in all material respects on and as of the date hereof as if made on the date hereof and the Agency has complied with all of the terms and conditions of the Purchase Agreements required to be complied with by the Agency at or prior to the date hereof;

(d) that no event materially adversely affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(e) that the Agency Documents are in full force and effect and none has been amended in any respect, except as approved in writing by the Underwriter; and

(f) that the financial statements of the Agency contained in the Official Statement fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, and such officer has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; and

(g) that all consents, permits, licenses and approvals of, and filings, registrations and declarations with, governmental authorities that are required to be obtained or made by the Agency in connection with the Bonds and the Agency Documents have been obtained or made; and

(h) pursuant to the provision of that certain Loan Agreement (Non-Housing), dated as of October 1, 2004 (the "2004 Non-Housing Loan Agreement"), between the Agency and the Richmond Joint Powers Financing Authority (the "Authority"), relating to the Authority's Tax Allocation Revenue Bonds, Series 2004A (Taxable), (capitalized terms used in this subsection (h) and not otherwise defined in this Certificate of the Agency having the meanings set forth in the 2004

Non-Housing Loan Agreement): (1) no Event of Default under the 2004 Non-Housing Loan Agreement has occurred or is continuing, and the Agency is otherwise in compliance with all covenants set forth therein, and (2) the Available Tax Revenues to be received by the Agency in Fiscal Year 2007-08 and in each future Fiscal Year, based upon the most recent qualified assessment roll of the County, but taking into account the reductions in Available Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area, is in an amount equal to at least one hundred forty percent (140%) of Combined Annual Debt Service; and

(i) pursuant to the provision of that certain Loan Agreement (Housing), dated as of October 1, 2004 (the "2004 Housing Loan Agreement"), between the Agency and the Richmond Joint Powers Financing Authority, relating to the Authority's Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004A (Taxable) and Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt), (capitalized terms used in this subsection (i) and not otherwise defined in this Certificate of the Agency having the meanings set forth in the 2004 Non-Housing Loan Agreement): (1) no Event of Default under the 2004 Housing Loan Agreement has occurred or is continuing, and the Agency is otherwise in compliance with all covenants set forth therein, and (2) the Available Housing Set Aside Tax Revenues to be received by the Agency in Fiscal Year 2007-08 and in each future Fiscal Year, based upon the most recent qualified assessment roll of the County, but taking into account the reductions in Available Housing Set Aside Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area, is in an amount equal to at least one hundred forty percent (140%) of Combined Annual Debt Service.

[Remainder of Page Intentionally Left Blank]

Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Purchase Agreements.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By:_____

Steven Duran, Executive Director

# TAX CERTIFICATE

The Richmond Community Redevelopment Agency (the "Issuer") hereby makes the following representations of facts and expectations and covenants to comply with the requirements of this Tax Certificate in connection with the Issuer's Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A which are being issued in the principal amount of $65,400,000 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust (the "Master Indenture"), as supplemented by a First Supplemental Indenture of Trust (the "First Supplement"), each dated as of July 1, 2007, each by and between the Issuer and Union Bank of California, N.A., as trustee (together, the "Indenture"). The representations and covenants contained in this Tax Certificate are in furtherance of the covenants contained in Section 6.14 of the Master Indenture, Section 6.14 of the First Supplement, and in part are made pursuant to Treasury Regulations § 1.148-2(b)(2). Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in Section 1.6 herein or in the Indenture.

## 1.

## In General; Definitions

1.1 The Issuer and the City. The Issuer is a redevelopment agency activated by the City Council of the City of Richmond, California (the "City"). The members of the City Council of the City serve as the board members of the Issuer. Both the Issuer and the City are duly organized and existing under and by virtue of the laws of the State of California, and both have the general authority to exercise the power of eminent domain in furtherance of their governmental purposes.

1.2 Delivery of the Bonds. The Issuer is selling the Bonds to the Richmond Joint Powers Financing Authority (the "Authority") on the day hereof, and the Authority is immediately delivering the Bonds to RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as underwriter (the "Underwriter"), on the date hereof in exchange for good funds for resale to the general public.

1.3 Purpose of Tax Certificate. The Issuer is delivering this Tax Certificate to Orrick, Herrington & Sutcliffe LLP, as bond counsel, with the understanding that Orrick, Herrington & Sutcliffe LLP will rely in part upon this Tax Certificate in rendering its opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

1.4 Purpose of Financing. The Issuer is issuing the Bonds to provide funds, together with other amounts, to (i) finance certain portions of the total renovation of the Civic Center Project, which includes the City Hall, the old Hall of Justice (which will house the Issuer) and the Civic Plaza, as well as seismic upgrades to the 3,500 seat Memorial Auditorium building (the "Civic Center Project"), (ii) finance certain redevelopment projects of the Issuer (the "Merged Area Project" and, together with the Civic Center Project, the "Project"), and (iii) pay the costs of issuing the Bonds, including a premium for the Insurance and Surety Bond.

A portion of the financing of the Civic Center Project will be accomplished by transferring $22,000,000 of Sale Proceeds of the Bonds to the City for deposit to the trust fund (the "Civic Center Trust Fund") established for construction of the Civic Center Project, $7,974,345 (the "Prepaid Rent") of which will be paid from the Civic Center Trust Fund to the City as prepaid rent for the space in the Civic Center Project that will house the Issuer and then will be spent by the City for costs of the Civic Center Project and 14,025,655 of which will be expended directly from the Civic Center Trust Fund for certain costs of the Civic Center Project.

1.5 Single Issue. All of the Bonds were sold to the Underwriter on July 11, 2007 (the "Sale Date"), pursuant to the same plan of financing. All of the Bonds are expected to be paid out of substantially the same source of funds. Except as provided herein, no other governmental obligations that are expected to be paid out of substantially the same source of funds as the Bonds were or are to be sold within the 31-day period beginning 15 days before the Sale Date, pursuant to the same plan of financing as the Bonds. On the date hereof, the Issuer is also issuing its Subordinate Housing Set-Aside Tax Allocation Bonds (as that term is defined in Section 1.6 herein) for various purposes. The Bonds and the Housing Set Aside Bonds are each considered separate issues for federal tax purposes. The Housing Set Aside Bonds are taxable bonds and are not part of the same issue as the Bonds. In addition, the Swap was entered into by the Issuer on June 26, 2007.

1.6 Definitions. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Indenture. Unless the context otherwise requires, the following capitalized terms have the following meanings for purposes of this Tax Certificate:

"Adjusted Gross Proceeds" means the Gross Proceeds, adjusted as set forth in Treasury Regulations Section 1.148-7(c)(3). Thus, Adjusted Gross Proceeds generally means the Gross Proceeds, less such amounts (i) held in the Bona Fide Debt Service Funds, (ii) held in a reasonably required reserve or replacement fund, and (iii) that, as of the Closing Date, are not reasonably expected to become Gross Proceeds, but become Gross Proceeds more than six or eighteen months (depending on the exception set forth in Sections 4.3.2 and 4.3.3 herein) after the Closing Date.

"Available Construction Proceeds" means Sale Proceeds less the amount of such Sale Proceeds used to pay the costs of issuing the Bonds (including underwriter's discount) and used to fund the Reserve Account, plus all Investment Proceeds (received, accrued or reasonably expected to be earned) thereon. Available Construction Proceeds include Investment Proceeds earned on amounts held in the Reserve Account from the Closing Date to the earlier of (i) two years after the Closing Date or (ii) substantial completion of the Project.

"Bona Fide Debt Service Funds" means those funds and accounts (or portions of those funds and accounts) identified in Section 3.9 of this Tax Certificate.

"Bond Year" means the period beginning on the Closing Date and ending on July 12, 2008 (or an earlier date selected by the Issuer in accordance with Treasury Regulations § 1.148-1(b)), and each successive one year period thereafter. The last Bond Year will end on the last day on which any Bond is outstanding for federal tax purposes.

"Closing Date" means the date of this Tax Certificate.

"Code" means the Internal Revenue Code of 1986 (including amendments thereto).

"Governmental Unit" means any State, or political subdivision of a State, but excludes the United States and its agencies or instrumentalities.

"Gross Proceeds" has the meaning used in Treasury Regulations § 1.148-1(b), and generally means all proceeds derived from or relating to the Bonds, including Sale Proceeds, Investment Proceeds, and other amounts expected to be used to pay debt service on the Bonds.

"Housing Set Aside Bonds" means the Issuer's Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B.

"Investment Proceeds" means the earnings received from investing and reinvesting the Sale Proceeds and investing and reinvesting such earnings.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Obligation, unless such obligation is a "specified private activity bond" within the meaning of Section 57(a)(5)(C) of the Code.

"Insurance" means the policy of municipal bond insurance issued by the Insurer and securing the payment of debt service with respect to the Bonds.

"Insurer" means MBIA Insurance Corporation.

"Minor Portion" means any amount of Gross Proceeds (up to $100,000) invested at an unrestricted yield pursuant to Section 148(e) of the Code.

"Net Sale Proceeds" means the amount of the Sale Proceeds less the amount invested as part of the Minor Portion and less the amount deposited in the Reserve Account.

"Nongovernmental Person" means any person or entity other than a Governmental Unit.

"Nonpurpose Investment" means any Investment Property in which Gross Proceeds are invested.

"Opinion of Counsel" means a written opinion of nationally recognized bond counsel, to the effect that interest on the Bonds will not be included in gross income for federal income tax purposes.

"Royal Bank of Canada" has the meaning set forth in Section 3.13 herein.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, costs of issuing the Bonds, and similar costs paid with respect to the Project in an

aggregate amount not exceeding $13,080,000 (i.e., no more than 20% of the issue price of the Bonds). However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"Rebate Requirement" means the amount of rebatable arbitrage computed as of the last day of any Bond Year pursuant to Treasury Regulations § 1.148-3.

"Sale Proceeds" means the amount of $65,400,000, the principal amount of the Bonds.

"Surety Bond" means the surety bond issued by the Insurer and deposited in the Reserve Account to satisfy the Reserve Requirement.

"Swap" has the meaning set forth in Section 3.13 herein.

"Swap Advisor" means Bond Logistix LLC.

"Tax Certificate" means this Tax Certificate.

"Tax-Exempt Obligation" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code or Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least 95 percent of income to the stockholder is treated as interest that is excludable from gross income under Section 103 of the Code.

"Yield" means that discount rate computed described in Section 3.11 of this Tax Certificate.

1.7 Reliance. With respect to certain matters contained in this Tax Certificate, the Issuer specifically relies upon certifications of the Underwriter outlined in the Certificate of the Underwriter attached hereto as Exhibit A, certifications of Royal Bank of Canada outlined in the certificate of the Swap Counterparty attached hereto as Exhibit C, certifications of the Insurer outlined in the Certificate of Insurer attached hereto as Exhibit D, and in all other exhibits attached hereto. The Issuer is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation made in this Tax Certificate or in any exhibit hereto.

## 2.

## General Tax Limitations

2.1 Cross Reference. Part 3 below refers to the expectations and limitations relating to arbitrage; Part 4 refers to the expectations and limitations relating to rebate.

2.2 Governmental Bond Status.

2.2.1 No Private Loan Bonds. Absent an Opinion of Counsel, the Issuer will not loan more than 5% of the proceeds of the Bonds to one or more Nongovernmental Persons.

2.2.2 No Private Activity Bonds. Absent an Opinion of Counsel, the Issuer will not allow more than 10% of the Sale Proceeds and Investment Proceeds of the Bonds, or of the Project, to be used directly or indirectly by any Nongovernmental Person in any trade or business, other than as a member of the general public. For purposes of the preceding sentence, "10%" is reduced to "5%" for nongovernmental use of any facilities financed with proceeds of the Bonds which are disproportionate to or not related to the governmental purposes of the Bonds. Absent an Opinion of Counsel, for purposes of this Section 2.2 a Nongovernmental Person will be treated as "using" Bond proceeds to the extent the Nongovernmental Person

(i) borrows Bond proceeds,

(ii) uses the Project (e.g., as owner, lessee, service provider, operator or manager), or

(iii) acquires the output (or throughput) of the Project, if any.

2.2.3 Service Contract Guidelines. Absent an Opinion of Counsel, the Issuer has not entered into and will not enter into any arrangement with any Nongovernmental Person which provides for such person to manage, operate, or provide services with respect to the Project, or any portion thereof (a "Service Contract"), if such contract will result in the Project being treated as being used in the trade or business of such person. Contracts to provide janitorial or security services and other services that are solely incidental to the primary governmental use of the Project are not Service Contracts. The guidelines contained in Revenue Procedure 97-13 (the "Guidelines") set forth types of Service Contracts that will not be treated as giving rise to use of the facilities by the contractor. Service Contracts that relate to the use or operation of the Project by businesses, professional corporations, or other "service providers," as that term is used in the Guidelines (the "Service Providers"), will satisfy the Guidelines if the requirements of each of the following Subsections is satisfied:

(i) The compensation of the Service Provider under the contract must be reasonable for the services rendered.

(ii) The contract must not provide for any compensation for services, based in whole or in part, on a share of net profits from the operation of the Project. Generally, compensation is not based on a share of net profits if such compensation is based on a "capitation fee" or a "per-unit fee." Under the Guidelines, "capitation fee" means a fixed periodic amount for each person for whom the Service Provider assumes the responsibility to provide all needed services for a specified period (so long as the quantity and type of services actually provided to covered persons varies substantially). Under the Guidelines, a "per-unit fee" means a fee based on a unit of service provided.

(iii) The contract provides for a compensation arrangement for the Service Provider that satisfies any one of the following four paragraphs:

(1) If the contract has a term, including renewal options, that is not longer than five years, at least 50% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee. For this compensation arrangement to satisfy the Guidelines, the contract must be cancelable by the Issuer on reasonable notice, without penalty or cause, at the end of the third year of the contract term.

(2) If the contract has a term, including renewal options, that is not longer than five years, all of the compensation for services is based on a "capitation fee" or a combination of a "capitation fee" and a periodic fixed fee. For this compensation arrangement to satisfy the Guidelines, the contract must be cancelable by the Issuer on reasonable notice, without penalty or cause, at the end of the third year of the contract term.

(3) If the contract has a term, including renewal options, that is not longer than three years, all of the Service Provider's compensation may be based on "per-unit fee" or a combination of a "per-unit fee" and a periodic fixed fee. For this compensation arrangement to satisfy the Guidelines, the contract must be cancelable by the Issuer on reasonable notice, without penalty or cause, at the end of the second year of the contract term. In addition, the amount of the "per-unit fee" must be specified in the service contract or otherwise specifically limited by the Issuer or an independent third party.

(4) If the contract has a term, including renewal options, that is not longer than two years, all of the Service Provider's compensation may be based on a percentage of fees charged. For this compensation arrangement to satisfy the Guidelines, the contract must be cancelable by the Issuer on reasonable notice, without penalty or cause, at the end of the first year of the contract term. In addition, the contract must (A) require the Service Provider to provide services primarily to third parties; or (B) involve a facility during an initial start-up period for which there have been insufficient operations to establish a reasonable estimate of the amount of the annual gross revenues and expenses (e.g., a service contract for general management services for the first year of operations). During the start-up period only, the Service Provider's compensation may be based on a percentage of either gross revenues, adjusted gross revenues, or expenses of the Project.

(5) If the contract has a term, including renewal options, that is not longer than ten years, at least 80% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee. Alternatively, if the contract has a term, including renewal options, that is not longer than fifteen years, at least 95% of the compensation for services for each annual period during the term of the Service Contract is based on a periodic fixed fee. However, in no event can the contract have a term, including renewal options, that is not longer than 80% of the reasonably expected useful life of the Project.

(6) The Issuer must be able to cancel the Service Contract upon reasonable notice, without penalty or cause, at the end of the third year of the

contract term, or at the earlier times provided in (iii)(3) or (iii)(4) above (if applicable). Under the Guidelines, contract termination penalties include (1) a limitation on the Issuer's right to compete with the Service Provider; (2) a requirement that the Issuer purchase equipment, goods, or services from the Service Provider; and (3) a requirement that the Issuer pay liquidated damages for cancellation of the service contract. However, the Guidelines generally do not treat the following as contract termination penalties: (1) a requirement, effective on cancellation of the contract, that the Issuer reimburse the Service Provider for ordinary and necessary expenses; and (2) a restriction on the Issuer against hiring key personnel of the Service Provider.

(iv) The Service Provider does not have a role or relationship with the Issuer that, in effect, substantially limits the ability of the Issuer to exercise its rights, including cancellation rights, under the Service Contract. Accordingly, not more than 20% of the voting power of the governing body of any of the Issuer in the aggregate may be vested in the Service Provider and its directors, officers, shareholders, and employees. Furthermore, the group of persons belonging to both the governing board of the Issuer and the Service Provider may not include the chief executive officers of the Issuer and the Service Provider, or their respective governing bodies. Finally, the Issuer may not be a member of the same "controlled group" (within the meaning of Treasury Regulations §1.150-1(f)) or a related person to the Service Provider.

2.3 Registered Form. The Bonds are being issued in registered form.

2.4 No Federal Guarantee. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. In furtherance of this covenant, the Issuer will not allow the payment of the principal or interest with respect to the Bonds to be guaranteed (directly or indirectly) in whole or in part by the United States of America or any agency or instrumentality thereof. Except as provided in the next sentence, the Issuer will not use 5% or more of the proceeds of the Bonds to make loans the payment of the principal or interest with respect to which is guaranteed in whole or in part by the United States of America or any agency or instrumentality thereof, nor will either invest 5% or more of the proceeds in federally insured deposits or accounts. The preceding sentence shall not apply to investments (i) of proceeds during the temporary periods described in this Tax Certificate in Section 3.6 until they are used for the purpose for which the Bonds are being issued, (ii) in the Bona Fide Debt Service Funds to the extent the requirement of Section 3.9 hereof are satisfied, (iii) in the Reserve Account, to the extent amounts therein qualify for unrestricted yield investment pursuant to Section 3.7 of this Tax Certificate, or (iv) in obligations issued by the United States Treasury.

2.5 Information Reporting. The Issuer shall cause Form 8038-G to be filed with respect to the Bonds no later than November 15, 2007.

2.6 No Pooling. The Issuer does not expect to and will not use the proceeds of the Bonds directly or indirectly to make or finance loans.

2.7 No Hedge Bonds. The Issuer reasonably expects that more than 85% of the Net Sale Proceeds will be expended for the governmental purpose of the Bonds before July 12, 2010. In addition, the Issuer reasonably expects that at least 10% of the Net Sale Proceeds will be spent before July 12, 2008, and at least 30 percent of the Net Sale Proceeds will be spent before July 12, 2009. Less than 50% of the proceeds of the Bonds will be invested in investment securities with a substantially guaranteed yield for four years or longer. The payment of legal and underwriting costs of the Bonds is not contingent on any event occurring after the issuance of the Bonds, and at least 95% of such costs will be paid not later than 180 days after the Closing Date. For purposes of this paragraph, the Issuer acknowledges that it has been advised that amounts transferred to the Civic Center Trust Fund, including amounts subsequently transferred to the City as Prepaid Rent, will not be treated as expended for federal tax purposes until expended on costs of constructing the Civic Center Project.

2.8 Expenditure of Gross Proceeds; Reimbursement For Prior Expenditures. For purposes of this Tax Certificate, Gross Proceeds will be treated as spent when they are used to pay or reimburse disbursements by the Issuer or the City that are (i) capital expenditures of the Project, (ii) costs of issuing the Bonds, (iii) interest on the Bonds through the later of three years after the Closing Date or one year after the Project is placed in service, (iv) initial operating expenses directly associated with the Project (in aggregate amount not exceeding 5% of the Sale Proceeds), or (v) other miscellaneous expenditures described in Treasury Regulations Section 1.148-6(d)(3)(ii). Absent an Opinion of Counsel, all expenditures of Gross Proceeds will be made in respect of (a) Preliminary Expenditures, (b) capital expenditures relating to the Project reimbursed in respect of payments made by the Issuer or the City sixty days prior to the date the Issuer properly adopted a reimbursement resolution, (c) costs of issuing the Bonds, or (d) other payments made by the Issuer on or after the Closing Date relating to the Project. In connection with all expenditures of Gross Proceeds described in (b), the reimbursement allocation will be made no later than the later of 18 months after the date of the expenditure or 18 months after the date on which the Project is placed in service, but if the latter, then in no event later than three years after the date of expenditure. For purposes of this paragraph, the Issuer acknowledges that it has been advised that amounts transferred to the Civic Center Trust Fund, including amounts subsequently transferred to the City as Prepaid Rent, will not be treated as expended for federal tax purposes until expended on costs of constructing the Civic Center Project.

2.9 Change in Use. The Issuer reasonably expects to use all Bond proceeds and all facilities that are financed with Bond proceeds as set forth in Section 2.2 of this Tax Certificate for the entire stated term to maturity of the Bonds. Absent an Opinion of Counsel, the Issuer in fact will use all Bond proceeds and each facility financed with Bond proceeds as set forth in Section 2.2 of this Tax Certificate.

2.10 No Refunding. None of the Sale Proceeds or the Investment Proceeds will be used to pay debt service on any issue of obligations other than the Bonds.

2.11 Retention of Records. The Issuer covenants to maintain all records relating to the requirements of the Code and the representations, certifications and covenants set forth in this Tax Certificate until the date three years after the last outstanding Bonds have been retired. If any of the Bonds are refunded by Tax-Exempt Obligations (the "Refunding Obligations"), the Issuer covenants to maintain all records required to be retained by this Section 2.11 until the later

of the date three years after the last outstanding Bonds have been retired or the date three years after the last Refunding Obligations have been retired. The records that must be retained include, but are not limited to:

(a) Basic records and documents relating to the Bonds (including the Indenture, this Tax Certificate and the opinion of bond counsel);

(b) Documentation evidencing the expenditure of Bond proceeds;

(c) Documentation evidencing the use of the Project by public and private sources (i.e., copies of management contracts, research agreements, leases, etc.);

(d) Documentation evidencing all sources of payment or security for the Bonds;

(e) Documentation pertaining to any investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations).

## 3.

## Arbitrage

3.1 Reasonable Expectations; Reliance on Others. This Part 3 states the reasonable expectations of the Issuer with respect to the amounts and uses of the proceeds of the Bonds and certain other funds.

3.2 Reoffering Price. The Issuer is delivering the Bonds to the Underwriter on the date hereof in exchange for payment of $64,349,500, which represents the total amount of the Sale Proceeds, less the Underwriter's discount of $490,500, less $477,000 for the premium for the Insurance and less $83,000 for the premium for the Debt Service Surety Bond. Based upon the representations of the Underwriter (contained in Exhibit A hereto), (i) all of the Bonds have been reoffered to the public (excluding any bondhouse, broker, or other intermediary), (ii) at least 10% of of the Bonds has been sold to the public (excluding any bondhouse, broker or other intermediary) at the price or yield set forth in the schedule attached to Exhibit A, and (iii) such price is reasonable under customary standards in the applicable tax-exempt market as of the Sale Date.

3.3 Sale Proceeds and Other Amounts. On the date hereof, Sale Proceeds will be used or deposited as follows:

| | |
|---|---|
| Project Fund | $63,854,000.00 |
| Underwriter's Discount | 490,500.00 |
| Insurance | 477,000.00 |
| Surety Bond | 83,000.00 |
| Costs of Issuance Fund | 495,000.00 |
| Total | $65,400,000.00 |

$22,000,000 of the amounts initially deposited in the Project Fund will be transferred to the Civic Center Trust Fund, 14,025,655 of which will be expended directly from the Civic Center Trust Fund for costs of the Civic Center Project and $7,974,345 of which will be paid to the City as Prepaid Rent and then will be spent by the City for costs of the Civic Center Project.

3.4 Investment Proceeds. Except for the Project Fund and the Costs of Issuance Fund, Investment Proceeds on amounts in any fund will be transferred to the Interest Account. Investment Proceeds on amounts in the Project Fund and the Costs of Issuance Fund shall be retained in each such fund. Notwithstanding the foregoing, amounts in the Bond Purchase Fund (and all accounts therein) shall be held uninvested.

3.5 Funds and Accounts. Pursuant to the Indenture, the Issuer has established the following funds and accounts with respect to the Bonds:

2007 Series A Project Fund (the "Project Fund")
2007 Series A Costs of Issuance Fund (the "Costs of Issuance Fund")
Special Fund
- Interest Account
- Principal Account
- Sinking Fund Account
- Debt Service Reserve Account (the "Reserve Account")
  - 2007 Series A Coverage Reserve Subaccount (the "Reserve Subaccount")

Rebate Fund
2007 Series A Bond Purchase Fund (the "Bond Purchase Fund")
- Remarketing Proceeds Account

Redemption Fund

Neither the Issuer nor any other person benefiting from the issuance of the Bonds will use, directly or indirectly, any fund or account to pay principal of or interest on the Bonds other than the Bona Fide Debt Service Funds; nor is any other fund or account, however established, other than the Reserve Account and the Reserve Subaccount, so pledged as security for the Bonds that there is a reasonable assurance that amounts held in such other fund or account will be available if needed to pay debt service on the Bonds.

3.6 Three-Year Temporary Period.

3.6.1 Expenditure Test. The Issuer reasonably expects that more than 85% of the Net Sale Proceeds will be expended on the Project before July 12, 2010.

3.6.2 Time Test. The Issuer has incurred or will incur within six months of the Closing Date a binding obligation to a third party involving an expenditure of not less than 5% of the Net Sale Proceeds for the Project.

3.6.3 Due Diligence Test. The Issuer reasonably expects that acquisition and construction of the Project will proceed with due diligence to completion and that the allocation of Net Sale Proceeds to expenditures for the Project will proceed with due diligence.

3.6.4 Net Sale Proceeds. Net Sale Proceeds and Investment Proceeds thereon may be invested without regard to yield until July 12, 2010.

Sale Proceeds and Investment Proceeds for the Project are expected to be fully expended before July 12, 2010.

3.7 Reserve Account. The Indenture establishes a Reserve Account and a Reserve Subaccount with respect to the Bonds and certain other obligations of the Issuer (the "Parity Bonds"). Except for withdrawals because of overfunding, all amounts held in the Reserve Account and the Reserve Subaccount may be used solely for paying debt service on the Bonds or the Parity Bonds. The Reserve Account will initially be funded with the Surety Bond and the Reserve Subaccount is not required to be funded on the Closing Date. Amounts in the Reserve Account and that do not exceed the least of (i) 10% of the collective original aggregate face amount of the Bonds and the Parity Bonds, (ii) maximum annual debt service on the Bonds and the Parity Bonds, or (iii) 125% of average annual debt service on the Bonds and the Parity Bonds (the "Reserve Requirement") will be invested without regard to yield. Absent an Opinion of Counsel, any amount in the Reserve Account and that exceeds the least of (i) through (iii) above (the "Restricted Amount") will be invested as set forth in Section 3.14 of this Tax Certificate.

As represented by the Underwriter, the amount of the Reserve Requirement for the Bonds is reasonably required in that it was a material factor in selling the Bonds at the lowest possible yield (given other characteristics of the Bonds) without regard to any benefit from positive net investment earnings on amounts held in the Reserve Account, and the funding of the Reserve Account to the extent of the Reserve Requirement for the Bonds is reasonable and customary in marketing similar issues of governmental obligations. See Exhibit A.

3.8 Costs of Issuance Fund. Sale Proceeds deposited in the Costs of Issuance Fund may be invested without regard to yield for the same three-year period described in Section 3.6 herein.

3.9 Bona Fide Debt Service Funds.

3.9.1 Payment of the Bonds. The Bonds are payable from the Subordinated Pledged Tax Revenues (the "Revenues") and certain proceeds of the Bonds deposited to the Interest Account on the Closing Date as provided in the Indenture.

3.9.2 Revenues. All Revenues are to be collected in the Special Fund and applied as provided in the Indenture. Payments of debt service on the Bonds are expected to be derived from current Revenues in each year, and current Revenues are expected to equal or exceed debt service on the Bonds during each payment period. Therefore, all amounts

transferred to and from the Bona Fide Debt Service Funds in respect of the Bonds are expected to be derived from current revenues.

3.9.3 Match Between Revenues and Debt Service. The Special Fund, including all accounts therein except the Reserve Account, together with the Bond Purchase Fund and the Redemption Fund, including all accounts therein (collectively, the "Bona Fide Debt Service Funds"), will be used primarily to achieve a proper matching of revenues and debt service within each Bond Year. Such funds in the aggregate will be depleted at least once a year except for a carryover amount not to exceed the greater of the earnings on such funds for the immediately preceding Bond Year or 1/12th of the principal and interest payments on the Bonds for the immediately preceding Bond Year. Amounts contributed to such funds will be spent within thirteen months after the date of such contribution, and any amounts received from the investment or reinvestment of monies held in such funds will be expended within one year after the date of accumulation thereof in any such fund. To the extent the provisions of this section are satisfied, amounts in the Bona Fide Debt Service Funds will be invested without regard to yield.

3.10 Rebate Fund. The Issuer has covenanted not to use moneys on deposit in any fund or account in connection with the Bonds in a manner which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. To that end, a special fund designated the "Rebate Fund" may be established by the Issuer. The Issuer is required to keep the Rebate Fund separate and apart from all other funds and moneys held by the Issuer. The amount required to be held in the Rebate Fund at any point in time is determined pursuant to the requirements of the Code, including particularly Section 148(f) of the Code and Treasury Regulations applicable thereto. Moneys in the Rebate Fund are neither pledged to nor expected to be used to pay debt service in respect of the Bonds. Sale Proceeds and Investment Proceeds held in the Rebate Fund, if any, will be invested as set forth in Section 3.14 of this Tax Certificate. All other amounts in the Rebate Fund will be invested without regard to yield.

3.11 Yield. For purposes of this Tax Certificate, yield is calculated as set forth in Section 148(h) of the Code and Treasury Regulations Sections 1.148-4 and 1.148-5. Thus, yield on the Bonds or yield on Investment Property generally means that discount rate which, when used in computing the present value of all unconditionally payable payments representing principal, interest and costs of qualified guarantees, produces an amount equal to the issue price of the Bonds or the purchase price of the Investment Property, as appropriate. The aggregate issue price of the Bonds is $65,400,000, which represents the price at which the Bonds were actually sold to the public.

The Bonds will bear a variable rate of interest pursuant to the terms of the Indenture. Accordingly, pursuant to Treasury Regulations Section 1.148-4(c), yield on the Bonds is computed separately for each computation period, as defined in Treasury Regulations Section 1.148-1(b). The yield for each computation period is the discount rate which, when used in computing the present value as of the first day of the computation period of all payments of principal and interest and qualified guarantee fees and payments and receipts on qualified hedges that are attributable to the computation period, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price (or, pursuant to Treasury Regulations Section 1.148-4(c)(2)(iv), the deemed issue price for any computation period other than the

computation period beginning on the Closing Date) of the Bonds as of the first day of the computation period. The payments attributable to a computation period generally include (i) any amounts actually paid during the computation period for principal on the Bonds, (ii) any amounts actually paid during the computation period for interest accruing during the computation period, (iii) any amounts actually paid during the computation period for interest during the prior computation period that was included in the deemed issue price of the Bonds as accrued but unpaid interest as of the first day of the computation period, (iv) any amounts properly allocable to fees for a qualified guarantee fee for the computation period and (v) any amounts properly allocable to a qualified hedge for the computation period. For purposes hereof, yield shall be calculated on a 360-day year basis with interest compounded semi-annually.

3.12 Qualified Guarantee. In computing the yield on the Bonds as described in Section 3.11 of this Tax Certificate, the premium paid and to be paid in respect of the Insurance and the Surety Bond is being treated as a qualified guarantee fee, as provided in Treasury Regulations Section 1.148-4(f), based on certifications of the (i) Insurer set forth in Exhibit D hereto that the premium paid and to be paid for the Insurance and the Surety Bond was negotiated at arm's length and is within the normal range of charges charged by the Insurer for the transfer of credit risk with respect to similar tax-exempt obligations and that the premium for the Insurance and the Surety Bond is not included in any direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers with respect to tax-exempt obligations in transactions in which the Insurer has no other involvement than as an insurance provider; and (ii) Underwriter set forth in Exhibit A hereto that the premium and fees paid and to be paid for the Insurance and the Surety Bond is reasonable and that the present value of interest saved as a consequence of the Insurance and the Surety Bond exceeds the present value of the premium paid and to be paid for the Insurance and the Surety Bond.

3.13 Qualifed Hedge. Except as described below, no contract has been and (absent an Opinion of Counsel) no contract will be entered into such that failure to take the contract into account would distort the yield on the Bonds or otherwise would fail clearly to reflect the economic substance of the transaction. On June 26, 2007, the Issuer entered an interest rate hedging contract (the "Swap"), with Royal Bank of Canada as the initial counterparty (the "Royal"), which obligates the Issuer periodically to pay to Royal a fixed percentage rate (3.9900%) of a notional amount (the "Royal Fixed Rate") that, from time to time, is equal to the scheduled outstanding principal amount of the Bonds for the time the Bonds will be outstanding.

In exchange, the Counterparty pays a floating rate based on the same notional amount. The Issuer has identified the Swap on its books and records within three days of the agreement to enter into the Swap (attached as Exhibit B hereto) and on the Form 8038 to be filed with respect to the Bonds. The Swap is intended to constitute a "qualified hedge" under Treasury Regulations Section 1.148-4(h). The pricing of the Swap was based on current market interest or swap rates with no amounts to be paid or received other than periodic payments. The Issuer and the Counterparty are not related persons. Payments to the Counterparty will be made from the same source of funds as payments of debt service on the Bonds. The Swap is not intended to cause the Bonds to be treated as "fixed yield bonds" as defined in Treasury Regulations Section 1.148-4. Attached as Exhibit C are certain certifications relating to the Swap.

3.14 Yield Restriction. Unless otherwise authorized by an Opinion of Counsel, if (A) all unspent Sale Proceeds (excluding amounts held in the Reserve Account) remaining after July 12, 2010, plus (B) all Investment Proceeds remaining unspent after a one-year period beginning on the date of receipt, plus (C) any amounts held in Bona Fide Debt Service Funds that remain unexpended after 13 months from the date of accumulation in any such funds, plus (D) any Restricted Amount held in the Reserve Account or the Reserve Subaccount, plus (E) any Sale Proceeds held in the Rebate Fund, at any time in the aggregate exceeds the Minor Portion, the excess will be invested either (i) in assets that are not Investment Property, (ii) in assets that comply with the requirements for qualified yield reduction payments set forth in Treasury Regulations § 1.148-5(c) or (iii) in Investment Property with a yield not exceeding the yield on the Bonds.

3.15 No Replacement Proceeds. Neither the Issuer nor any related person will use any proceeds of the Bonds directly or indirectly to replace funds of the Issuer or any related person that are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield materially higher than the yield on the Bonds. The yield produced by Investment Property is considered materially higher than the yield on the Bonds if the former exceeds the latter by more than 0.125%. The Bonds have a weighted average maturity that does not exceed 120% of the average reasonably expected and remaining economic life of the facilities comprising the Project.

3.16 No Overissuance. The total amount of Sale Proceeds, together with Investment Proceeds reasonably expected to be earned thereon, does not exceed the amount necessary for the purposes for which the Bonds are being issued.

3.17 No Abusive Arbitrage Device. The Bonds are not and will not be part of a transaction or series of transactions that (i) enables the Issuer or any related person to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) overburdens the market for tax-exempt obligations in any manner, including, without limitation, by selling bonds that would not otherwise be sold, or selling more bonds, or issuing bonds sooner, or allowing bonds to remain outstanding longer, than otherwise would be necessary.

3.18 No Expected Sale. It is not expected that the Project will be sold or otherwise disposed of before September 1, 2036, the scheduled maturity of the Bonds.

## 4.

## Rebate

4.1 Undertakings. The Issuer, pursuant to the Indenture, has covenanted to comply with certain requirements of the Code. The Issuer acknowledges that the United States Department of the Treasury has issued regulations with respect to certain of these undertakings, including the proper method for computing whether any rebate amount is due the federal government under Section 148(f) of the Code. The Issuer covenants that it will undertake to determine precisely what is required with respect to the rebate provisions contained in Section 148(f) of the Code and said regulations from time to time and will comply with any requirements that may be applicable to the Bonds. Except to the extent inconsistent with any requirements of the Code or the regulations or future regulations, the Issuer will undertake the methodology described in this Tax Certificate.

4.2 Recordkeeping. The Issuer shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment attributable to Gross Proceeds of the Bonds, including: (i) purchase date, (ii) purchase price, (iii) information establishing fair market value on the date such investment became a Nonpurpose Investment, (iv) any accrued interest paid, (v) face amount, (vi) coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date. Such detailed recordkeeping is required to facilitate the calculation of the Rebate Requirement.

4.3 Exception from Rebate Requirement. The Bonds may qualify for certain exceptions from the rebate requirements outlined in this section of this Tax Certificate.

4.3.1 Bona Fide Debt Service Fund Exception. The Bona Fide Debt Service Funds will be exempted from the Rebate Requirement to the extent that the provisions of Section 3.9.3 hereof are satisfied.

4.3.2 Six-Month Exception. The Adjusted Gross Proceeds will be exempt from the Rebate Requirement if all of such Adjusted Gross Proceeds are allocated to expenditures within six months of the Closing Date.

4.3.3 Eighteen-Month Expenditure Exception. In general, the Adjusted Gross Proceeds will be exempt from the Rebate Requirement if at least 15% of such Adjusted Gross Proceeds actually are spent within six months after the Closing Date, at least 60% of such Adjusted Gross Proceeds actually are spent within twelve months after the Closing Date, and 100% of such Adjusted Gross Proceeds actually are spent within eighteen months after the Closing Date. For purposes of the 15% and the 60% expenditure exceptions listed in the previous sentence, the amount of Investment Proceeds that is included in Adjusted Gross Proceeds is determined based only on the expected investment earnings as of the Closing Date. The requirement that 100% of the Adjusted Gross Proceeds is spent within eighteen months after the Closing Date will be met if at least 95% of the Adjusted Gross Proceeds is spent within eighteen months and the remainder is held as a reasonable retainage, as permitted by contracts with the Issuer's contractors, and such remainder is spent within thirty months after the Closing Date.

4.3.4 Two-Year Construction Exception. The Available Construction Proceeds may not be subject to the Rebate Requirement if the conditions set forth herein are met. In determining the amount of Available Construction Proceeds as of (i) the first three dates set forth below, the aggregate reasonably expected amount of investment earnings that are Available Construction Proceeds are used and (ii) the last date set forth below, the actual investment earnings that are Available Construction Proceeds are used. See Section 1.6 of this Tax Certificate, defining "Available Construction Proceeds." The Issuer reasonably expects that at least 75% of the Available Construction Proceeds will be expended for construction expenditures with respect to property that will be owned by the Issuer or another Governmental Unit. For purposes of this Section 4.3.4, "construction expenditures" include costs for construction, reconstruction and rehabilitation, but do not include costs of acquisition of interests in land or other existing real property. All of the Available Construction Proceeds will be deposited or are expected to be deposited in the Project Fund.

The portions of the Available Construction Proceeds required to be spent at the end of each 6-month period are as follows:

| | |
|---|---|
| End of first six months | 10% |
| End of first year | 45% |
| End of first 18 months | 75% |
| End of second year | 100% |

The requirement that 100% of the Available Construction Proceeds be expended within two years of the Closing Date will be met if at least 95% of the Available Construction Proceeds is spent by such time, if the remainder is a "reasonable retainage" as required or permitted by construction contracts with the Issuer's contractors, and if such remainder is spent within the three years of the Closing Date.

4.4 Rebate Requirement Calculation and Payment. The Issuer will rebate any arbitrage profits earned on the Gross Proceeds not described in Section 4.3 above to the United States pursuant to the following procedures:

(a) Subject to the exceptions described in Section 4.3 hereof, the Issuer will prepare or have prepared a calculation of the Rebate Requirement consistent with the rules described in this Section 4.4 at least once every five years. The Issuer will complete the annual calculation of the Rebate Requirement within 55 days after the close of each fifth Bond Year and within 55 days after the first date on which there are no outstanding Bonds.

(b) For purposes of calculating the Rebate Requirement (i) the aggregate amount earned with respect to a Nonpurpose Investment shall be determined by assuming that the Nonpurpose Investment was acquired for an amount equal to its fair market value (determined as provided in § 1.148-5(d)(6) of the Treasury Regulations as applicable) at the time it becomes a Nonpurpose Investment, and (ii) the aggregate amount earned with respect to any Nonpurpose Investment shall include any unrealized gain or loss with respect to the Nonpurpose Investment (based on the assumed purchase price at fair market value and adjusted to take into account amounts received with respect to the Nonpurpose Investment and earned original issue

discount or premium) on the first date when there are no outstanding Bonds or when the investment ceases to be a Nonpurpose Investment.

(c) The Issuer will pay or cause to be paid to the United States Department of the Treasury from the Rebate Fund not later than 60 days after the end of the fifth Bond Year and each succeeding fifth Bond Year an amount equal to 90% and, not later than 60 days after the first date when there are no outstanding Bonds, an amount equal to 100% of the Rebate Requirement (determined as of the end of the immediately preceding Bond Year) plus any actual or imputed earnings on such Rebate Requirement, all as set forth in § 1.148-3 of the Treasury Regulations.

(d) Each payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by Form 8038-T. The Issuer must retain records of the calculations required by this Section 4.4 until three years after the retirement of the last of the Bonds.

4.5 Investments and Dispositions.

(a) General Rule. No Investment Property may be acquired with Gross Proceeds for an amount (including transaction costs, except as otherwise provided in § 1.148-5(e) of the Treasury Regulations) in excess of the fair market value of such Investment Property. No Investment Property may be sold or otherwise disposed of for an amount (including transaction costs, except as otherwise provided in § 1.148-5(e) of the Treasury Regulations) less than the fair market value of the Investment Property.

(b) Fair Market Value. In general, the fair market value of any Investment Property is the price which a willing buyer would pay to a willing seller to acquire the Investment Property, with no amounts paid to artificially reduce or increase the yield on such Investment Property. This section 4.5 describes various safe harbors for determining fair market value. Other methods may be used to establish fair market value, provided, however, that such methods comply with the requirements of § 1.148-5(d)(6) of the Treasury Regulations.

(c) Arms'-length Purchase and Sales. If Investment Property is acquired pursuant to an arms'-length transaction without regard to any amount paid to reduce the yield on the Investment Property, the fair market value of the Investment Property shall be the amount paid for the Investment Property (without increase for transaction costs, except as otherwise provided in § 1.148-5(e) of the Treasury Regulations). If Investment Property is sold or otherwise disposed of in an arm's length transaction without regard to any reduction in the disposition price to reduce the Rebate Requirement, the fair market value of the Investment Property shall be the amount realized from the sale or other disposition of the Investment Property (without reduction for transaction costs, except as otherwise provided in § 1.148-5(e) of the Treasury Regulations).

(d) SLGS. If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Department of the Treasury (as in the case of the United States Treasury Securities - State and Local Government Series ("SLGS") obligations), such

acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(e) Investment Contracts. The purchase price of any Investment Property acquired pursuant to a guaranteed investment contract (within the meaning of Section 1.148-1(b) of the Treasury Regulations) shall be determined as provided in Section 1.148-5 of the Treasury Regulations. No investment contract shall be acquired with Gross Proceeds unless the requirements of Section 1.148-5 of the Treasury Regulations and this Section 4.5(e) are satisfied. With respect to any investment contract, the Issuer will obtain from the provider of the investment contract, broker thereof or other party, such information, certification or representation as will enable the Issuer to determine that these requirements are satisfied.

The purchase price of an investment contract will be considered to be fair market value if:

(1) the Issuer has made (or has had made on its behalf) a bona fide solicitation for the investment contract; the solicitation must have specified the material terms of the investment contract (i.e., all the terms that could directly or indirectly affect the yield or the cost of the investment including the collateral security requirements for the investment contract) and, unless the moneys invested pursuant to such investment contract will be held in the Bona Fide Debt Service Funds, the Issuer's reasonably expected drawdown schedule for the moneys to be invested; the solicitation has a legitimate business purpose (i.e., a purpose other than to increase the purchase price or reduce the yield) for every term of the bid specification;

(2) all bidders have an equal opportunity to bid so that, for example, no bidder is given the opportunity to review other bids (a last look) before bidding;

(3) the Issuer solicits bids from at least three (3) investment contract providers with established industry reputations as competitive providers of investment contracts;

(4) the Issuer includes in the bid specifications a statement to potential bidders that by submitting a bid, the provider is making certain representations that the bid is bona fide, and specifically that 1) the bidder did not consult with any other potential provider about its bid, 2) the bid was determined without regard to any other formal or informal agreement that the potential provider had with the issuer or any other person, and 3) the bid was not submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements of Section 1.148-5 of the Treasury Regulations;

(5) at least three bids meeting the qualification requirements of the bid solicitation (as set forth in (1) above) have been received from different providers of investment contracts that have no material financial interest in the Bonds (the following investment contract providers are considered to have a material financial interest in the issue: 1) a lead underwriter in a negotiated underwriting, but only until 15 days after the issue date of the issue, 2) an entity acting as a financial advisor with respect to the

purchase of the investment contract at the time the bid specifications were forwarded to potential providers; and 3) any related party to a provider that is disqualified for one of the two preceding reasons);

(6) at least one of the bids received by the Issuer that meets the requirements of the preceding paragraph is from an investment contract provider with an established industry reputation as a competitive provider of investment contracts;

(7) the investment contract has a yield (net of any broker's fees) at least equal to the highest yielding of the qualifying bids received from the bidders that have no material financial interest in the Bonds; if the investment contract is not the highest-yielding of the qualifying bids, the Issuer must have significant non-tax reasons, such as creditworthiness of the bidder, for failure to purchase the highest-yielding investment contract offered;

(8) if an agent for the Issuer conducts the bidding process, the agent does not bid;

(9) the provider of the investment contract certifies as to all administrative costs to be paid on behalf of the Issuer, including any fees paid as broker commissions in connection with the investment contract.

(f) Certificates of Deposit. The purchase price of a certificate of deposit issued by a commercial bank that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal will be considered to be fair market value if:

(1) the yield on the certificate of deposit is not less than the yield on reasonably comparable direct obligations of the United States; and

(2) the yield on the certificate of deposit is not less than the highest published yield of the provider thereof which is currently available on comparable certificates of deposit offered to the public.

(g) Broker Compensation. For purposes of computing the Yield on any investment contract acquired through a broker, reasonable compensation received by such broker, whether payable by or on behalf of the obligor or obligee of such investment contract, may be taken into account in determining the cost of the investment contract (as provided in Section 1.148-5(e)(2)(iii) of the Treasury Regulations). Compensation is deemed reasonable if does not exceed the lesser of i) $33,000 or ii) 0.2% of the amount reasonably expected, as of the date of acquisition of the investment contract, to be invested under the investment contract over its term, or $3,000 (if 0.2% of such amount reasonably expected to be invested under the investment contract over its term is less than $3,000). In addition, the total fees received by the broker with respect to the investment of any proceeds of the Bonds that are taken into account with respect to all investment contracts, at any time, may not exceed $93,000. All amounts referenced are to be adjusted for inflation after the Closing Date.

4.6 Segregation of Proceeds. In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Issuer shall

establish or cause to be established separate subaccounts or take such other accounting measures as are necessary in order to account fully for all Gross Proceeds.

4.7 Filing Requirements. The Issuer will file or cause to be filed such reports or other documents with the Internal Revenue Service as are required by the Code in accordance with an Opinion of Counsel.

4.8 Satisfaction of Rebate Obligation. The Issuer hereby undertakes to satisfy its obligation to perform the rebate calculations that may be required to be made from time to time with respect to the Bonds as follows:

_____ The Issuer initially has retained the firm of Bond Logistix LLC to perform rebate calculations that may be required to be made from time to time with respect to the Bonds.

XX The Issuer initially has retained the firm of MuniFinancial to perform rebate calculations that may be required to be made from time to time with respect to the Bonds.

_____ The _____ of the Issuer has undertaken full responsibility for performing rebate calculations that may be required to be made from time to time with respect to the Bonds.

_____ The Issuer has decided not, at this time, to designate a party responsible for performing rebate calculations that may be required to be made from time to time with respect to the Bonds and as a result undertakes and assumes full responsibility for rebate compliance and acknowledges that Bond Counsel has no such responsibility (unless later engaged in writing for such purpose).

_____ The Issuer has determined that under no circumstances will it earn any arbitrage subject to rebate with respect to the Bonds.

4.9 Survival of Defeasance. Notwithstanding any provision of this Tax Certificate or the Indenture to the contrary, the obligation to remit the Rebate Requirement, if any, to the United States Department of the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive the defeasance of the Bonds.

## 5.

## Other Matters

5.1 Expectations. The undersigned is an authorized representative of the Issuer is acting for and on behalf of the Issuer in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

5.2 Amendments. Notwithstanding any provision of this Tax Certificate, the Issuer may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is based on an Opinion of Counsel.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By:_____

Steven Duran
Executive Director

**EXHIBIT A**

CERTIFICATE OF THE UNDERWRITER

RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") has acted as the underwriter of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A being issued on the date hereof in the aggregate principal amount of $65,400,000 (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate to which this certificate is attached as an exhibit. The undersigned hereby certifies and represents the following:

A. Reoffering Price.

1. As of July 11, 2007 (the "Sale Date"), the Underwriter had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price of par.

2. The price of par for the Bonds represents the fair market price of the Bonds as of the Sale Date.

3. As of the date of this certificate, all of the Bonds have been offered to the general public in a bona fide offering at the price of par and at least 10% of each maturity of the Bonds has been sold to the general public at such price.

B. Qualified Guarantee.

1. The premium for the Insurance and the Surety Bond provided by the Insurer with respect to the Bonds does not exceed the present value of the interest expected to be saved as a result of the Insurance and the Surety Bond. The Insurance and the Surety Bond were chosen based upon the premium and the expected effect of the Insurance on the marketing of the Bonds. Based on our experience with similar matters, the premiums for the Insurance and the Surety Bond are not unreasonable.

2. The Insurance was essential in marketing the Bonds at the interest rate at which they were sold and the absence of the Insurance would have materially affected in an adverse manner the interest rate at which the Bonds were sold.

C. Qualified Hedge.

1. The initial rate of interest borne by the Bonds is 3.99%.

2. If Bonds had been issued on June 26, 2007, we expect that the initial rate of interest borne by the Bonds would not have differed by more than 0.18% from the rate of 3.99% (the floating rate payable under the Swap by the Swap Counterparty on that date, as represented by the Swap counterparty).

D. Reserve Account.

The amount of the Reserve Requirement for the Bonds is reasonably required in that it was a material factor in selling the Bonds at the lowest possible yield (given other characteristics of the Bonds) without regard to any benefit from positive net investment earnings on amounts held in the Reserve Account, and the funding of the Reserve Account to the extent of the Reserve Requirement for the Bonds is reasonable and customary in marketing similar issues of governmental obligations.

E. Compensation For Underwriting Services.

Royal Bank of Canada (the "Bank"), an affiliate of the Underwriter, entered into an interest rate swap with the Richmond Community Redevelopment Agency on June 26, 2007 (the "Hedge"). All of the compensation for the underwriting services of the Underwriter is being paid to the Underwriter on the date hereof in the form of an underwriter's discount in the amount of $490,500. No portion of any payments made to the Bank pursuant to the Hedge is in fact compensation for the Underwriter's service as underwriter of the Bonds.

Dated: July 12, 2007

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets

By _____
Authorized Representative

**EXHIBIT B**

IDENTIFICATION OF SWAP
BY ISSUER, WITH CONFIRMATION

[See Tab No. 23 for Hedge Identification and Tab No. 20(B) for Confirmation]

# EXHIBIT C

## CERTIFICATE OF ROYAL BANK OF CANADA REGARDING INTEREST RATE SWAP

On June 26, 2007 (the "Trade Date"), the Richmond Community Redevelopment Agency (the "Agency") entered into an interest rate swap transaction (the "Swap Agreement"), with Royal Bank of Canada (the "Swap Counterparty") under an ISDA Master Agreement, dated as of June 26, 2007, between the Agency and the Swap Counterparty. Pursuant to the terms of the Swap Agreement, absent an early termination event, (A) the Agency will pay the Swap Counterparty an amount based on a fixed rate (the "Fixed Rate") and, in exchange, (B) the Swap Counterparty will pay the Agency an amount based on a variable rate, in each case on the same notional amount, as more fully described in the Swap Agreement.

In connection with the foregoing, the Swap Counterparty represents as follows:

1. The terms of the Swap Agreement were negotiated with the Agency in an arm's length transaction. The Swap Counterparty offered the Fixed Rate to the Agency, which the Agency accepted. The Fixed Rate is 3.9900%. The Fixed Rate is within the range of fixed rates that the Swap Counterparty would have agreed to receive from other persons, if any, to enter into a reasonably comparable interest rate swap, if any, on the Trade Date, taking into full account the terms and conditions of the Swap Agreement, and with a counterparty similarly situated to the Agency, if any, taking into full account the security and sources of payment provided for payments to the Swap Counterparty, the risk profile of such counterparty, structuring, and other terms inherent under the Swap Agreement.

2. Amounts paid or payable by the Agency pursuant to the Swap Agreement do not include any payment for underwriting services or other services that are not specified in the Swap Agreement or are otherwise unrelated to the Swap Counterparty's performance of its obligations under the Swap Agreement.

3. No payments have been or are expected to be made by the Swap Counterparty to the Agency or by the Agency to the Swap Counterparty in connection with the Swap Agreement except as set forth in the Swap Agreement.

4. Neither the Swap Counterparty nor any affiliate of the Swap Counterparty has made or expects to make any payments to third parties for the benefit of the Agency in connection with the Swap Agreement.

5. On the Trade Date, 68% of USD-LIBOR-BBA (one month) was 3.62% (the "Index Rate").

6. The Swap Agreement is being entered into in connection with the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged project Areas) 2007 Series A (the "Bonds"). The Bonds are variable rate bonds. Although there were no identical debt instruments outstanding on the Trade Date, we estimate that if the Bonds were

outstanding on the Trade Date, the interest rate on the Bonds would have been within 25 basis points of the Index Rate on the Trade Date.

The certifications and the information set forth herein are provided for information purposes only, and, except as expressly set forth herein, are not intended for use by any third party; the rates described in the certifications do not necessarily reflect the undersigned's internal bookkeeping or any single theoretical model-based valuation for the Swap Agreement, and in particular, certain factors, including, for example, the notional amount of a transaction, credit spreads, underlying volatility, costs of carry, use of capital and profit, may substantially affect the value of any specific transaction; and our conclusions may vary significantly from estimates available from other sources. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or the application of any laws to these facts.

The undersigned understands that the Agency may rely upon this Certificate in making certain of the representations contained in a certificate the Agency executed in connection with the issuance of the Bonds, and further understands that Orrick, Herrington & Sutcliffe LLP as Bond Counsel may rely upon this Certificate, among other things, in rendering its opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103(a) of the Code. Nevertheless, the undersigned makes no representations as to the legal sufficiency of the information set forth in this Certificate for purposes of complying with the Code or for any other purpose.

Dated: July 12, 2007.

ROYAL BANK OF CANADA

By Susan Heard
Name:
Title:: SUSAN HEARD
AUTHORIZED SIGNATORY

mbia
WISDOM IN ACTION℠

# TAX CERTIFICATE

Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

$65,400,000
Richmond Community Redevelopment Agency
(Richmond, California)
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Ladies and Gentlemen:

In connection with the issuance of the above-referenced obligations (the "Obligations"), we are issuing a financial guaranty insurance policy (the "Policy") securing the payment of principal and interest on the Obligations.

This is to advise you that:

1. The Policy is an unconditional obligation of the MBIA Insurance Corporation (the "Insurer") to pay scheduled payments of principal and interest on the Obligations in the event of a failure to do so by Richmond Community Redevelopment Agency;

2. The insurance premium in the amount of $477,000 represents the charge for a transfer of credit risk and was determined in arm's-length negotiations and is required to be paid as a condition to the issuance of the Policy;

3. No portion of such premium represents an indirect payment of costs related to the issuance of the Obligations other than for the transfer of credit risk;

4. The Insurer does not reasonably expect that it will be called upon to make any payment under the Policy;

5. To the extent the Insurer is called upon to make any payment under the Policy, the Insurer reasonably expects to pursue all available legal remedies to secure reimbursement for such payment; and

**EXHIBIT D**

CERTIFICATE OF INSURER

[Attached]

mbia
WISDOM IN ACTION℠

6. The Insurer would not have issued the Policy in the absence of a debt service reserve of the size and type established by the documents pursuant to which the Obligations are being issued.

Dated: July 12, 2007

MBIA INSURANCE CORPORATION

By _____
Assistant Secretary

Form **8038-G** (Rev. November 2000)
Department of the Treasury Internal Revenue Service

# Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
**Caution:** *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

**Part I Reporting Authority** — If Amended Return, check here ▶ ☐

| | | | |
|---|---|---|---|
| 1 | Issuer's name<br>Richmond Community Redevelopment Agency | 2 Issuer's employer identification number | |
| 3 | Number and street (or P.O. box if mail is not delivered to street address)<br>Richmond City Hall, 1401 Marina Way South | Room/suite | 4 Report number<br>3 2007-1 |
| 5 | City, town, or post office, state, and ZIP code<br>Richmond, CA 94804-3746 | | 6 Date of issue<br>July 12, 2007 |
| 7 | Name of issue Richmond Community Redevelopment Agency<br>Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A | | 8 CUSIP number<br>764424 BF3 |
| 9 | Name and title of officer or legal representative whom the IRS may call for more information<br>Steve Duran, Executive Director | 10 Telephone number of officer or legal representative<br>( 510 ) 231-3066 | |

**Part II Type of Issue (check applicable box(es) and enter the issue price)** See instructions and attach schedule

| | | | |
|---|---|---|---|
| 11 | ☐ Education | 11 | |
| 12 | ☐ Health and hospital | 12 | |
| 13 | ☐ Transportation | 13 | |
| 14 | ☐ Public safety | 14 | |
| 15 | ☐ Environment (including sewage bonds) | 15 | |
| 16 | ☐ Housing | 16 | |
| 17 | ☐ Utilities | 17 | |
| 18 | ☑ Other. Describe ▶ Various Public Works | 18 | 65,400,000 |
| 19 | If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐ | | |
| 20 | If obligations are in the form of a lease or installment sale, check box ▶ ☐ | | |

**Part III Description of Obligations.** Complete for the entire issue for which this form is being filed.

| | (a) Final maturity date | (b) Issue price | (c) Stated redemption price at maturity | (d) Weighted average maturity | (e) Yield |
|---|---|---|---|---|---|
| 21 | 9-1-2036 | $ 65,400,000 | $ 65,400,000 | 16.054 years | VR % |

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

| | | | | | |
|---|---|---|---|---|---|
| 22 | Proceeds used for accrued interest | | | 22 | 0 |
| 23 | Issue price of entire issue (enter amount from line 21, column (b)) | | | 23 | 65,400,000 |
| 24 | Proceeds used for bond issuance costs (including underwriters' discount) | 24 | 985,000 | | |
| 25 | Proceeds used for credit enhancement | 25 | 560,000 | | |
| 26 | Proceeds allocated to reasonably required reserve or replacement fund | 26 | 0 | | |
| 27 | Proceeds used to currently refund prior issues | 27 | 0 | | |
| 28 | Proceeds used to advance refund prior issues | 28 | 0 | | |
| 29 | Total (add lines 24 through 28) | | | 29 | 1,545,500 |
| 30 | Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | | | 30 | 63,854,500 |

**Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)**

| | | |
|---|---|---|
| 31 | Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ | N/A years |
| 32 | Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ | N/A years |
| 33 | Enter the last date on which the refunded bonds will be called ▶ | |
| 34 | Enter the date(s) the refunded bonds were issued ▶ | |

**Part VI Miscellaneous**

| | | | |
|---|---|---|---|
| 35 | Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) | 35 | 0 |
| 36a | Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions) | 36a | 0 |
| b | Enter the final maturity date of the guaranteed investment contract ▶ | | |
| 37 | Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units | 37a | |

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☑

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

| Signature of issuer's authorized representative | Date | Type or print name and title |
|---|---|---|
| | July 12, 2007 | Steven Duran, Executive Director |

**SENDER: *COMPLETE THIS SECTION***

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Internal Revenue Service
1160 West 1200 South
Ogden, Utah 84201

41945-7/908

IRS - OSC
RECEIVED
OGDEN, UT 84201

***COMPLETE THIS SECTION ON DELIVERY***

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
*(Transfer from service label)* 7005 3110 0000 2215 9923

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

7005 3110 0000 2215 9923

**U.S. Postal Service™**
**CERTIFIED MAIL™ RECEIPT**
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at www.usps.com

**OFFICIAL USE**

| | |
|---|---|
| Postage | $ .97 |
| Certified Fee | 2.65 |
| Return Receipt Fee (Endorsement Required) | 2.15 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | $ 5.77 |

SAN FRANCISCO, CA
JUL 31 2007
Postmark Here

*Sent To*
Internal Revenue Service
1160 West 1200 South
Ogden, Utah 84201

41945-7/908

PS Form 3800, June 2002 See Reverse for Instructions

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) 2007 SERIES A**

**WRITTEN ORDER OF THE AGENCY - SERIES 2007A BONDS**

To: UNION BANK OF CALIFORNIA, N.A., as trustee (the "Trustee") under that certain Indenture of Trust (the "Master Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each dated as of July 1, 2007, between the Richmond Community Redevelopment Agency (the "Agency") and the Trustee:

(a) Pursuant to Section 3.03 of the First Supplemental Indenture, the Agency has caused its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds") to be executed for issuance under the Indenture and to be delivered to you, as Trustee, in the aggregate principal amount of $65,400,000. The Series 2007A Bonds are dated July 12, 2007, mature on September 1, 2036 and are subject to mandatory redemption in sinking fund payments on the dates and in the amounts as set forth in Schedule A attached hereto.

(b) You are hereby authorized and directed to authenticate the Series 2007A Bonds, in the form of one bond in the aggregate principal amount of $65,400,000, by the manual signature of an authorized officer, to register the Series 2007A Bonds in said principal amount in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and on the date hereof, to deliver the Series 2007A Bonds to RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as the purchaser of the Series 2007A Bonds (the "Underwriter"), through the facilities of DTC, upon payment to you by the Underwriter of the amount of $64,349,500, being the net purchase price of the Series 2007A Bonds, calculated as follows:

| | |
|---|---|
| Series 2007A Bonds Principal Amount | $65,400,000.00 |
| Less Underwriter's Discount | (490,500.00) |
| Less Bond Insurance Premium | (477,000.00) |
| Less Surety Bond Premium | (83,000.00) |
| Net Purchase Price | $64,349,500.00 |

(c) You are hereby requested, pursuant to Section 5.01 of the First Supplemental Indenture, from the net purchase price of $64,349,500 of the Series 2007A Bonds, to deposit in or transfer from the following funds the following amounts:

(i) $495,000 in the 2007 Series A Costs of Issuance Fund;

(ii) $63,854,500 in the 2007 Series A Project Fund; and

(iii) $22,000,000 from the 2007 Series A Project Fund to the City of Richmond for deposit in the trust fund established for construction of the new civic center.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Steven Duran, Executive Director

## SCHEDULE A

### Series 2007A Bonds

### $65,400,000 3.990% Term Bond due September 1, 2036

### Term Bond
### Sinking Fund Redemption

| Redemption Date (September 1) | Mandatory Sinking Fund Payment |
|---|---|
| 2008 | $ 1,125,000 |
| 2009 | 1,525,000 |
| 2010 | 1,600,000 |
| 2011 | 1,675,000 |
| 2012 | 1,750,000 |
| 2013 | 1,825,000 |
| 2014 | 1,900,000 |
| 2015 | 2,000,000 |
| 2016 | 2,100,000 |
| 2017 | 2,200,000 |
| 2018 | 2,275,000 |
| 2019 | 2,000,000 |
| 2020 | 4,275,000 |
| 2021 | 1,775,000 |
| 2022 | 1,850,000 |
| 2023 | 3,675,000 |
| 2024 | 2,100,000 |
| 2025 | 2,200,000 |
| 2026 | 2,275,000 |
| 2027 | 7,200,000 |
| 2028 | 1,675,000 |
| 2029 | 1,750,000 |
| 2030 | 1,850,000 |
| 2031 | 1,925,000 |
| 2032 | 2,000,000 |
| 2033 | 2,075,000 |
| 2034 | 2,175,000 |
| 2035 | 2,275,000 |
| 2036 | 2,350,000 |

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## WRITTEN ORDER OF THE AGENCY – SERIES 2007B BONDS

To: UNION BANK OF CALIFORNIA, N.A., as trustee (the "Trustee") under that certain Indenture of Trust (the "Master Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each dated as of July 1, 2007, between the Richmond Community Redevelopment Agency (the "Agency") and the Trustee:

a. Pursuant to Section 2.01 of the Indenture, the Agency has caused its Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Bonds") to be executed for issuance under the Master Indenture, as supplemented by the First Supplemental Indenture and to be delivered to you, as Trustee, in the aggregate principal amount of $9,772,621.50. The Series 2007B Bonds are issued as capital appreciation bonds, are dated July 12, 2007 and are issued in the initial principal amount and accrete to and mature on the dates and in the maturity values as set forth in Schedule A attached hereto.

(b) You are hereby authorized and directed to authenticate the Series 2007B Bonds, one bond for each maturity in the principal amount of such maturity as set forth in said Schedule A, by the manual signature of an authorized officer, to register the Series 2007B Bonds in said principal amounts in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and on the date hereof, to deliver the Series 2007B Bonds to RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as the purchaser of the Series 2007B Bonds (the "Underwriter"), through the facilities of DTC, upon payment to you by the Underwriter of the amount of $9,523,463.73, being the net purchase price of the Series 2007B Bonds, calculated as follows:

| | |
|---|---|
| Series 2007B Bonds Principal Amount | $9,772,621.50 |
| Less Underwriter's Discount | (122,157.77) |
| Less Bond Insurance Premium | (109,000.00) |
| Less Surety Bond Premium | (18,000.00) |
| Net Purchase Price | $9,523,463.73 |

(c) You are hereby requested, pursuant to Section 2.03 of the First Supplemental Indenture, from the net purchase price of $9,523,463.73 of the Series 2007B Bonds, to deposit in the following accounts the following amounts:

(i) $105,000 in the 2007 Series B Costs of Issuance Fund; and

(ii) $9,418,463.73 in the 2007 Series B Project Fund.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By:_____
Steven Duran, Executive Director

## SCHEDULE A

**Series 2007B Bonds**

## INITIAL PRINCIPAL AMOUNTS AND MATURITY VALUES

| Maturity Date (September 1) | Initial Principal Amount | Maturity Value |
|---|---|---|
| 2008 | $436,862.85 | $465,000 |
| 2009 | 475,261.90 | 535,000 |
| 2010 | 486,272.00 | 580,000 |
| 2011 | 494,962.50 | 625,000 |
| 2012 | 503,482.50 | 675,000 |
| 2013 | 508,341.00 | 725,000 |
| 2017 | 514,549.20 | 935,000 |
| 2018 | 510,869.70 | 990,000 |
| 2019 | 504,524.80 | 1,040,000 |
| 2020 | 643,442.95 | 1,415,000 |
| 2021 | 438,677.00 | 1,030,000 |
| 2022 | 432,481.00 | 1,085,000 |
| 2023 | 427,474.30 | 1,145,000 |
| 2024 | 412,695.25 | 1,175,000 |
| 2025 | 405,703.20 | 1,230,000 |
| 2026 | 397,964.50 | 1,285,000 |
| 2027 | 587,274.60 | 2,020,000 |
| 2028 | 226,482.10 | 830,000 |
| 2029 | 212,073.30 | 830,000 |
| 2030 | 199,698.60 | 835,000 |
| 2031 | 186,847.95 | 835,000 |
| 2032 | 174,757.15 | 835,000 |
| 2033 | 163,384.45 | 835,000 |
| 2034 | 152,688.10 | 835,000 |
| 2035 | 142,643.05 | 835,000 |
| 2036 | 133,207.55 | 835,000 |
| TOTAL | $9,772,621.50 | $24,460,000 |

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) 2007 SERIES A**

**REQUISITION NO. 1**

**SERIES 2007A COSTS OF ISSUANCE FUND**

To: Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, CA 94104
Attention: Corporate Trust

Re: Disbursement from the Series 2007A Costs of Issuance Fund

The undersigned, on behalf of the Richmond Community Redevelopment Agency (the "Agency"), hereby requests Union Bank of California, N.A., as trustee (the "Trustee"), pursuant to that certain Indenture of Trust (the "Master Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each dated as of July 1, 2007, between the Agency and Trustee, to pay from the moneys in the Series 2007A Costs of Issuance Fund established pursuant to Section 5.02 of the First Supplemental Indenture (the "Series 2007A Costs of Issuance Fund"), the amounts shown on Schedule A attached hereto to the order of the payee or payees named on, and for the purposes specified in, such Schedule A. Such payment is to be made by wire transfer to the account indicated if any, in the invoice, to each payee listed in Schedule A hereto.

The undersigned hereby certifies that (a) each of the items for which payment is requested is a proper charge against the Series 2007A Costs of Issuance Fund in the amount stated and (b) no part of such payment shall be applied to any item which has previously been paid as a Costs of Issuance of the Series 2007A Bonds.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Steven Duran, Executive Director

## SCHEDULE A

## REQUISITION NO. 1

## DISBURSEMENTS FROM SERIES 2007A COSTS OF ISSUANCE FUND

| Payee | Purpose | Not to Exceed Amount* |
|---|---|---|
| 1. Tamalpais Advisors, Inc. | Financial Advisory Services | $ 52,200.00 |
| 2. Bond Logistix | Swap Advisor Fee | 60,000.00 |
| 3. Orrick, Herrington & Sutcliffe LLP | Bond Counsel Fee | 320,000.00 |
| 4. Kutak Rock LLP | Insurer's Counsel Fee | 20,000.00 |
| 5. Standard & Poor's | Rating Agency Fee | 24,800.00 |
| 6. Imagemaster | Printing Fees | 4,000.00 |
| 7. Cal Muni | Debt Service Statement | 450.00 |
| 8. Wells Fargo Bank, N.A. | Auction Agent Fee | 1,308.00 |
| 9. Union Bank of California, N.A. | Trustee Fee | 3,680.00 |
| | TOTAL DUE | $486,438.00 |

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS)**
**(TAXABLE) 2007 SERIES B**

**REQUISITION NO. 1**

**SERIES 2007B COSTS OF ISSUANCE FUND**

To: Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, CA 94104
Attention: Corporate Trust

Re: Disbursement from the Series 2007B Costs of Issuance Fund

The undersigned, on behalf of the Richmond Community Redevelopment Agency (the "Agency"), hereby requests Union Bank of California, N.A., as trustee (the "Trustee"), pursuant to that certain Indenture of Trust (the "Master Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each dated as of July 1, 2007, between the Agency and Trustee, to pay from the moneys in the Series 2007B Costs of Issuance Fund established pursuant to Section 5.02 of the First Supplemental Indenture (the "Series 2007B Costs of Issuance Fund"), the amounts shown on Schedule A attached hereto to the order of the payee or payees named on, and for the purposes specified in, such Schedule A. Such payment is to be made by check or by wire transfer to the account so indicated in an invoice of the payee listed in Schedule A hereto.

The undersigned hereby certifies that (a) each of the items for which payment is requested is a proper charge against the Series 2007B Costs of Issuance Fund in the amount stated and (b) no part of such payment shall be applied to any item which has previously been paid as a Costs of Issuance of the Series 2007B Bonds.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Dated: July 12, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Steven Duran, Executive Director

## SCHEDULE A

## REQUISITION NO. 1

## DISBURSEMENTS FROM SERIES 2007B COSTS OF ISSUANCE FUND

| Payee | Purpose | Not to Exceed Amount* |
|---|---|---|
| 1. Tamalpais Advisors Inc. | Financial Advisory Services | $ 7,800.00 |
| 2. Orrick, Herrington & Sutcliffe LLP | Bond Counsel Fee | 80,000.00 |
| 3. Kutak Rock LLP | Insurer's Counsel Fee | 5,000.00 |
| 4. Standard & Poor's | Rating Agency Fee | 6,200.00 |
| 5. Imagemaster | Printing Fees | 1,000.00 |
| 6. Union Bank of California, N.A. | Trustee Fee | 2,638.00 |
| | TOTAL DUE | $102,638.00 |

*Invoices presented for payment may be paid to the not exceed amount set forth above.

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE REGARDING EFFECTIVENESS OF JOINT EXERCISE OF POWERS AGREEMENT

The undersigned hereby states and certifies:

(a) that the undersigned is the duly appointed, qualified and acting Secretary of the Richmond Joint Powers Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the "Authority") and operating pursuant to Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Act") and pursuant to a joint exercise of powers agreement, dated as of December 1, 1989 (the "Agreement"), by and between the City of Richmond and the Richmond Community Redevelopment Agency, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that attached hereto is a true, correct and complete copy of the Agreement, which Agreement has not been amended, modified or supplemented, rescinded or appealed, and is in full force and effect as of the date hereof; and

(c) that, to the best of the undersigned's knowledge, all filings required to be made by the Authority under the Act on or prior to the date hereof have been made with the Secretary of State of the State of California.

Dated: July 12, 2007

**RICHMOND JOINT POWERS FINANCING AUTHORITY**

By: Diane Holmes
Diane Holmes, Secretary

# RICHMOND JOINT POWERS FINANCING AUTHORITY

## JOINT EXERCISE OF POWERS AGREEMENT

This Agreement is executed as of December 1, 1989 by and between the CITY OF RICHMOND, a charter city, and the RICHMOND REDEVELOPMENT AGENCY, a redevelopment agency, each organized and existing under the laws of the State of California and hereafter referred to as Members.

RECITALS

This Agreement is predicated upon the following facts:

A. The Members are public agencies organized and operating under the laws of the State of California.

B. The Richmond Joint Powers Financing Authority created by this Agreement (the "Authority") is authorized under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the "Bond Pooling Act") to, among other things, purchase at public or negotiated sale certain qualified obligations, as further defined herein ("Obligations"), issued by Members of the Authority and other public agencies and sell at public or negotiated sale such Obligations or issue and sell at public or negotiated sale certificates of participation or Authority bonds secured in whole or in part by such Obligations or by other designated revenues.

C. The assistance provided to the Members and other public agencies by the Authority in financing public capital improvements and working capital will result in certain or all of the following significant public benefits:

(1) Demonstrable savings in effective interest rate, bond preparation, bond underwriting, or bond issuance costs.

(2) Significant reductions in effective user charges levied by a local agency.

(3) Employment benefits from undertaking public projects in a timely fashion.

(4) More efficient delivery of local agency services to residential and commercial development.

D. All capitalized terms used herein are defined in Article III "Definitions", hereof.

NOW, THEREFORE, for and in consideration of the mutual benefits, covenants, and agreements set forth in this Agreement, the parties agree as follows:

## ARTICLE I

## CREATION OF RICHMOND JOINT POWERS FINANCING AUTHORITY

Pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the parties hereto hereby create a public entity separate and apart from the parties to this Agreement, to be known as the Richmond Joint Powers Financing Authority, hereinafter referred to as the "Authority". Pursuant to Government Code Section 6508.1, the debts, liabilities, and obligations of the Authority shall not constitute debts, liabilities, or obligations of any party to this Agreement. A Member may separately contract for or assume responsibility for specific debts, liabilities, or obligations of the Authority. For purposes of, and to the extent required by, Government Code Section 6509, in exercising its powers the Authority shall be subject to the restrictions upon the manner of exercising the powers of the City of Richmond, except as otherwise authorized or permitted by the JPA Law and the Bond Pooling Act.

## ARTICLE II

## PURPOSE AND POWERS

The purpose of creating this Authority is to accomplish the purposes of the JPA Law and the Bond Pooling Act, including the financing of public capital improvements and the purchase of Obligations issued by Members of the Authority or other public agencies or the sale of such Obligations or issuance of Obligations of the Authority secured in whole or in part by such Obligations, or by any other designated source of revenues, all as permitted by the JPA Law or the Bond Pooling Act. The Authority shall have all powers common to its Members and all powers granted by applicable law, including, without

limitation, the JPA Law and the Bond Pooling Act, and is authorized, in its own name, to do all acts necessary to exercise such powers to fulfill the purposes of this Agreement. Without limiting the foregoing, the Authority shall have the power to do each of the following:

A. Finance and refinance, through the issuance of bonds or other instruments of indebtedness, Public Capital Improvements and Working Capital and other costs as permitted by the JPA Law and the Bond Pooling Act.

B. Purchase Obligations.

C. Incur debts, liabilities, and obligations.

D. Acquire, hold or dispose of real and personal property by lease, purchase, sale, eminent domain and other appropriate means.

E. Receive contributions and donations of property, funds, services, and other forms of assistance from any source.

F. Sue and be sued in its own name.

G. Employ agents and employees.

H. Acquire, construct, rehabilitate, remodel, install, manage, or operate buildings, works, or improvements.

I. Lease real and personal property (including that of a Member or Local Agency) as lessor and as lessee.

J. Receive, collect, and disburse monies.

K. Invest money in the treasury of the Authority in the same manner and on the same conditions as Local Agencies pursuant to Government Code Section 53601.

L. Exercise all other powers necessary and proper to carry out the provisions of this Agreement.

## ARTICLE III

## DEFINITIONS

The following definitions shall apply to the provisions of this Agreement:

A. "Authority" shall mean the Richmond Joint Powers Financing Authority.

B. "Agreement" shall mean this Joint Exercise of Powers Agreement, as it may be amended from time to time, creating the Authority.

C. "Board" or "Governing Board" shall mean the governing body of the Authority.

D. "Bond Pooling Act" shall mean the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the JPA Law.

E. "Bonds" shall mean bonds, notes, commercial paper, lease-purchase agreements, certificates of participation, floating rate, and variable maturity securities or other evidences of indebtedness within the meaning of the term "bond" as defined in Section 6585(c) of the JPA Law issued by the Authority pursuant to the Bond Pooling Act.

F. "Fiscal Year" shall mean the period of time from the date of this Agreement to June 30, 1990, and thereafter every 12 month period ending on June 30.

G. "JPA Law" shall mean Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended from time to time.

H. "Local Agency" shall mean a "local agency" as defined in Section 6585(f) of the JPA Law.

I. "Member" shall mean any public agency (as defined in Section 6500 of the JPA Law) which is a party to this Agreement.

J. "Obligation" shall mean any bond, note, commercial paper, lease-purchase agreement, certificate of participation, floating rate, and variable maturity securities or other evidences of indebtedness within the meaning of the term "bond" as defined in Section 6585(c) of the JPA Law, which is purchased by the Authority from a Local Agency which is the issuer thereof at a public or negotiated sale or which is otherwise acquired by the Authority pursuant to the Bond Pooling Act or a trust agreement providing for the issuance of Bonds.

K. "Public Capital Improvement" shall have the meaning given to such term in Section 6585(g) of the JPA Law.

L. "Working Capital" shall have the meaning given to such term in Section 6585(i) of the JPA Law.

## ARTICLE IV

### PARTIES TO AGREEMENT

Each Member represents and warrants that it intends to, and does hereby, contract with the other Member identified on the signature page hereof and any new members admitted to the Authority pursuant to Article XIV. Each Member also represents and warrants that the withdrawal or expulsion of any Member, pursuant to Article XII, shall not relieve any Member of its obligations or duties under this Agreement.

## ARTICLE V

### GOVERNING BOARD

The Authority shall be governed by a Governing Board comprised of all of the individuals who currently are members of the City Council of the City of Richmond and the members of the Board of the Richmond Redevelopment Agency (individually a "Representative", collectively the "Representatives"). Each Representative of the Governing Board has one vote. Immediately upon admission of a new Member pursuant to Article XIV, the Member shall be entitled to appoint two Representatives to the Governing Board.

A Representative shall be removed from the Governing Board upon the occurrence of any one of the following events: (1) the Representative is no longer a member of the City Council of the City of Richmond and the Board of the Richmond Redevelopment Agency; or (2) the expulsion or withdrawal of the Member from this Agreement on behalf of which such Representative serves.

Representatives are not entitled to compensation. The Governing Board may authorize reimbursement of expenses incurred by Representatives or their alternates.

Pursuant to Government Code Section 6505.6, the Director of [redacted] of the City of Richmond is designated as Treasurer/[redacted] of the Authority. The Treasurer/Auditor of the [redacted]y shall have charge of, handle, and have access to any [redacted] of the Authority, shall have custody of all the money [redacted] Authority from whatever source, and shall perform the [redacted]unctions of treasurer/auditor of the Authority as set [redacted]n Sections 6505, 6505.1 and 6505.5 of the JPA Law. The

Authority shall fix the amount of the fidelity bond to be filed by the Treasurer/Auditor.

## ARTICLE VI

### BOARD MEETINGS AND RECORDS

A. Meetings. The Governing Board shall hold regular meetings as provided in the bylaws of the Authority. The Governing Board shall fix by resolution the date upon which, and the hour and place at which, each regular meeting is to be held. The Governing Board may hold special meetings at any time and from time to time in accordance with law.

B. Ralph M. Brown Act. Each meeting of the Governing Board, including without limitation regular, adjourned regular, and special meetings shall be called, noticed, held, and conducted in accordance with the Ralph M. Brown Act (Section 54950 et seq. of the California Government Code).

C. Minutes. The Authority shall have minutes of regular, adjourned regular, and special meetings kept by the Secretary of the Authority. As soon as possible after each meeting, the Secretary of the Authority shall forward to each Governing Board Representative and each Member copies of the minutes.

D. Quorum. A majority of the Representatives of the Governing Board is a quorum for the transaction of business. However, less than a quorum may adjourn from time to time. A vote of the majority of a quorum at a meeting is sufficient to take action.

## ARTICLE VII

### OFFICERS

The Mayor, Vice-Mayor, City Manager, Assistant City Manager and City Clerk are designated as President, Vice-President, Executive Director, Assistant Executive Director and Secretary, respectively, of the Authority. The President shall preside at and conduct all meetings of the Governing Board. In the absence or inability of the President to act, the Vice President acts as President. The Governing Board may appoint such other officers as it considers necessary. Officers are not entitled to compensation. The Governing Board may authorize reimbursement of expenses incurred by officers.

## ARTICLE VIII

### AMENDMENTS TO THIS AGREEMENT

This Agreement may be amended at any time by written consent of all of the Members acting through their governing bodies.

## ARTICLE IX

### BUDGET

The Governing Board shall adopt an annual budget as soon as possible for the first Fiscal Year and not later than thirty days prior to the beginning of each Fiscal Year thereafter.

## ARTICLE X

### ANNUAL AUDIT AND REVIEW

The Authority shall strictly account for all funds and report of all receipts and disbursements and shall cause an annual financial audit of the accounts and records to be made by a certified public accountant in compliance with California Government Code Sections 6505 and 6505.5 or 6505.6 with respect to all receipts, disbursements, other transactions, and entries into the books of the Authority. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Government Code Section 26909 and shall conform to generally accepted auditing standards. A report of each audit shall be filed as a public record with each of the Members and also with the county auditor of the county in which each of the contracting parties is located. The report shall be filed within twelve months of the end of the Fiscal Year under examination. The Authority shall pay all costs of such financial audits.

## ARTICLE XI

### ESTABLISHMENT AND ADMINISTRATION OF FUNDS

Funds of the Authority may be commingled with other funds of the Authority for investment and administration purposes.

The Treasurer/Auditor shall draw warrants to pay demands against the Authority when the demands have been approved in writing by the Executive Director.

All funds or other property acquired by the Authority as a result of this Agreement shall be paid and disbursed as provided in resolutions of the Governing Board or in any trust agreement securing Bonds.

## ARTICLE XII

## WITHDRAWAL AND EXPULSION

Subject to the restrictions set forth in Article XIII, the Governing Board, by a vote of two-thirds of the governing body, may expel any Member at any time for material breaches of this Agreement. Subject to the restrictions set forth in Article XIII, any Member may at any time withdraw from this Agreement upon 90 days' written notice to the other Members, provided that after such withdrawal there shall be at least two Members.

The withdrawal or expulsion of any Member shall not terminate its responsibility under any Obligation of such Member or under any actions taken in connection therewith.

## ARTICLE XIII

## TERMINATION

This Agreement shall continue until terminated. However, it cannot be terminated until such time as all principal of and interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued, shall have been paid in full. Thereafter, this Agreement may be terminated by vote or written consent of two-thirds of the Members; provided, however, that this Agreement and the Authority shall continue to exist for the purposes of disposing of all claims, the distribution of assets, and any other functions necessary to conclude the affairs of the Authority.

After completion of the Authority's purposes, any surplus money on deposit in any fund or account of the Authority shall be returned in proportion to the contributions made as required by Section 6512 of the California Government Code. In the event such surplus is generated from proceeds of any Bonds or the payment to the Authority of amounts due with respect to any Obligations, such surplus shall be distributed as provided in the applicable trust agreement. The Governing Board is vested with all powers of the Authority for the purpose of concluding and dissolving the business affairs of the Authority.

## ARTICLE XIV

### NEW MEMBERS

With the approval of two-thirds of the Governing Board, any qualified public agency (as defined in Section 6500 of the JPA Law) may become a party to this Agreement. A public agency requesting membership shall apply by presenting to the Authority a resolution of the public agency approving this Agreement. The date and the terms upon which the applying public agency will become a Member will be determined by the Governing Board.

## ARTICLE XV

### LIABILITY OF THE AUTHORITY

Subject to limitations thereon contained in any trust agreement or other documents pursuant to which Bonds are issued, funds of the Authority may be used to defend, indemnify, and hold harmless the Authority, any Member, any member of the Governing Board and any employee or officer of the Authority for their actions taken within the scope of their duties while acting on behalf of the Authority.

## ARTICLE XVI

### NOTICES

Notices under this Agreement shall be sufficiently given and shall be deemed given when delivered or mailed by first-class mail, postage prepaid, or sent by telegram, telecopier or telex, addressed to the parties as follows:

To the City of Richmond:

City of Richmond
2600 Barrett Avenue
Richmond, California 94804

Attention: Director of Finance

To the Richmond Redevelopment Agency:

Richmond Redevelopment Agency
2600 Barrett Avenue
Richmond, California 94804

Attention: Treasurer

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices or other communications shall be sent. Notices of new Members shall be sufficiently given when delivered in the manner described above to the address indicated in the amendment to this Agreement adding such new Member.

## ARTICLE XVII

### SEVERABILITY

Should any portion, term, condition, or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

## ARTICLE XVIII

### AGREEMENT COMPLETE

The foregoing constitutes the full and complete Agreement of the parties. There are no oral understandings or agreements not set forth in writing herein.

## ARTICLE XIX

### GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

CITY OF RICHMOND

By: _____
Mayor

Executed before me this
19th day of December, 1989

_____
Clerk of the City of Richmond

(SEAL)

RICHMOND REDEVELOPMENT AGENCY

By: _____
Administrator

Attest:

_____
Assistant Secretary

Approved as to form:

_____
City Attorney

# State of California
## March Fong Eu
### Secretary of State

FILE NO. 1043

**FILED**
In the office of the Secretary of State
of the State of California
MAR 15 1990
March Fong Eu
MARCH FONG EU, Secretary of State

(Office Use Only)

NOTICE OF A JOINT POWERS AGREEMENT
(Government Code Section 6503.5 or 6503.7)

Instructions:

1. Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 324-6778
2. Include filing fee of $5.00.
3. Do not include attachments, unless otherwise specified.

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is: Richmond Joint Powers Financing Authority

Mailing address: 2600 Barrett Avenue, Richmond, California 94804

Provide a short title of the agreement if applicable: Richmond Joint Powers Financing Authority Joint Exercise of Powers Agreement

The public agencies party to the agreement are:

(1) The City of Richmond, California

(2) The Richmond Redevelopment Agency

(3) _____

if more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is: December 1, 1989

Provide a condensed statement of the agreement's purpose or the powers to be exercised: To assist members and other public agencies in financing capital improvement and working capital

Date: March 14, 1990

Vivian O'Neal
Signature

Vivian O'Neal, Authority Counsel
Typed Name and Title

# State of California
## Secretary of State

**FILED**
In the office of the Secretary of State
of the State of California
APR 25 2007
(Office Use Only)

## STATEMENT OF FACTS
## ROSTER OF PUBLIC AGENCIES FILING
(Government Code Section 53051)

Instructions:

1. Complete and mail to: Secretary of State,
   P.O. Box 942877, Sacramento, CA 94277-0001 (916) 653-3984
2. A street address must be given as the official mailing address or as the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing ☐ Update ☑

Legal name of Public Agency: Richmond Joint Powers Financing Authority

Nature of Update: Revised members
Update members

County: Contra Costa

Official Mailing Address: c/o James C. Goins, Finance Director
1401 Marina Way South, Richmond, CA 94804

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): President
Name: Gayle McLaughlin Address: 1401 Marina Way South, Richmond, CA 94804

Secretary or Clerk (Indicate Title): Secretary
Name: Diane Holmes Address: 1401 Marina Way South, Richmond, CA 94804

Members:

| | | | |
|---|---|---|---|
| Name: | Nathaniel Bates (Vice President) | Address: | 1401 Marina Way South, Richmond, CA 94804 |
| Name: | Maria Viramontes | Address: | 1401 Marina Way South, Richmond, CA 94804 |
| Name: | Jim Rogers | Address: | 1401 Marina Way South, Richmond, CA 94804 |
| Name: | John E. Marquez | Address: | 1401 Marina Way South, Richmond, CA 94804 |
| Name: | Thomas K. Butt | Address: | 1401 Marina Way South, Richmond, CA 94804 |

Date: April 23, 2007

Diane Holmes
Signature

Diane Holmes, Secretary
Typed Name and Title

REGULATE: NOTICE #15 (REV. 03 2005)

**RICHMOND JOINT POWERS FINANCING AUTHORITY**
**STATEMENT OF FACTS**

Members Continued

| | |
|---|---|
| Name Tony K Thurmond | Address 1401 Marina Way South Richmond C A 94804 |
| Name Harpreet S Sandhu | Address 1401 Marina Way South, Richmond, C A 94804 |
| Name Eudmynia Lopez | Address 1401 Marina Way South, Richmond, C A 94804 |

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## INCUMBENCY AND SIGNATURE CERTIFICATE OF THE AUTHORITY

The undersigned hereby state and certify:

(a) that they are the duly elected or appointed, qualified and acting Vice Chair and Executive Director, respectively, of the Richmond Joint Powers Financing Authority (the "Authority"), a joint powers authority organized and existing under and by virtue of the laws of the State of California, and as such, are familiar with the facts herein certified and are authorized and qualified to certify the same;

(b) that the following are now, and have continuously been since January 2, 2007, the duly elected or appointed, qualified and acting members of the Authority:

| Name | Position | Ending Date of Current Term |
|---|---|---|
| Gayle McLaughlin | Chair | December, 2010 |
| Nathaniel Bates | Vice Chair | December, 2008 |
| Tom Butt | Member | December, 2008 |
| Ludmyrna Lopez | Member | December, 2010 |
| John E. Marquez | Member | December, 2008 |
| Jim Rogers | Member | December, 2010 |
| Harpreet Sandhu | Member | December, 2008 |
| Tony K. Thurmond | Member | December, 2008 |
| Maria Viramontes | Member | December, 2010 |

(c) that for and on behalf of the Authority, the below-named Executive Director has executed the following documents:

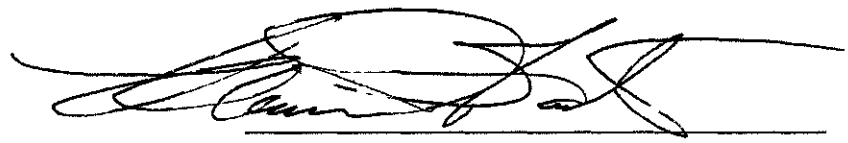
(i) Bond Purchase Agreement, dated as of July 11, 2007 (the "2007 Series A Purchase Agreement"), by and among the Authority, RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") and the Richmond Community Redevelopment Agency (the "Agency"); and

(ii) Bond Purchase Agreement, dated as of June 28, 2007 (the "2007 Series B Purchase Agreement"), by and among the Authority, the Underwriter and the Agency.

(d) that the persons named below are now, and at all times since January 2, 2007 have been, duly elected or appointed and qualified officers of the Agency holding the offices of the Agency set opposite their respective names, and each of them certifies that the signature of the other is the genuine signature of such person.

Capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreements.

July 12, 2007.



Nathaniel Bates, Vice Chair



Steven Duran, Executive Director

Execution Copy

# INDENTURE OF TRUST

**by and between**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

and

**UNION BANK OF CALIFORNIA, N.A.,**

as Trustee

Dated as of July 1, 2007

Relating to

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
SUBORDINATE TAX ALLOCATION BONDS
(MERGED PROJECT AREAS)

## TABLE OF CONTENTS

**Page**


ARTICLE I DEFINITIONS AND AUTHORITY ..... 2

Section 1.01 Definitions ..... 2

Section 1.02 Rules of Construction ..... 26

Section 1.03 Authority for this Master Indenture ..... 27

ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS ..... 27

Section 2.01 Authorization of Bonds ..... 27

Section 2.02 Bonds Constitute Limited Obligations ..... 27

Section 2.03 Indenture to Constitute Contract ..... 28

Section 2.04 General Provisions for Issuance of Bonds ..... 28

Section 2.05 Additional Bonds ..... 30

Section 2.06 Refunding Bonds ..... 30

Section 2.07 Conditions to Issuance of Parity Obligations ..... 31

Section 2.08 Conditions of Issuance of Subordinated Obligations ..... 33

Section 2.09 Credit Provider Bonds ..... 35

Section 2.10 Limit on Indebtedness ..... 35

Section 2.11 Limitation on Issuance of Senior Bonds ..... 35

ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS ..... 36

Section 3.01 Medium of Payment; Form and Date; Letters and Numbers ..... 36

Section 3.02 Legends ..... 37

Section 3.03 Execution and Authentication ..... 37

Section 3.04 Book-Entry Bonds ..... 38

Section 3.05 Transfers Outside Book-Entry Program ..... 39

Section 3.06 Bond Register ..... 40

Section 3.07 Interchangeability of Bonds ..... 40

Section 3.08 Negotiability, Transfer and Registry ..... 40

Section 3.09 Regulations With Respect to Exchanges and Transfers ..... 40

Section 3.10 Bonds Mutilated, Destroyed, Stolen or Lost ..... 41

Section 3.11 Temporary Bonds ..... 41

Section 3.12 Cancellation and Destruction of Bonds ..... 42

ARTICLE IV REDEMPTION OF BONDS ..... 42

**TABLE OF CONTENTS**
**(continued)**

**Page**


Section 4.01 Privilege of Redemption and Redemption Price ....42
Section 4.02 Redemption at the Direction of Agency ....42
Section 4.03 Redemption Otherwise Than at Agency's Direction ....42
Section 4.04 Selection of Bonds to be Redeemed ....43
Section 4.05 Notice of Redemption ....43
Section 4.06 Partial Redemption of Bonds ....44
Section 4.07 Effect of Notice and Availability of Redemption Money ....45
ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF ....45
Section 5.01 Pledge of Subordinate Pledged Tax Revenues ....45
Section 5.02 Funds ....46
Section 5.03 Receipt and Deposit of Subordinate Pledged Tax Revenues ....46
Section 5.04 Special Fund ....47
Section 5.05 Redemption Fund ....51
Section 5.06 Depositories ....51
Section 5.07 Deposits ....51
Section 5.08 Investment of Certain Funds ....52
Section 5.09 Sale of Investments ....53
ARTICLE VI COVENANTS AND OBLIGATIONS OF THE AGENCY ....53
Section 6.01 Compliance with Indenture ....53
Section 6.02 Against Encumbrances ....54
Section 6.03 Extension or Funding of Claims for Interest ....54
Section 6.04 Payment of Claims ....54
Section 6.05 Books and Accounts; Financial and Project Statements ....55
Section 6.06 Protection of Security and Rights of Owners ....55
Section 6.07 Payment of Taxes and Other Charges ....55
Section 6.08 Financing the Project ....55
Section 6.09 Taxation of Leased Property ....56
Section 6.10 Disposition of Property in Project Area ....56
Section 6.11 Amendment of Redevelopment Plan ....56
Section 6.12 Subordinate Pledged Tax Revenues ....57
Section 6.13 Further Assurances ....57

Page

Section 6.14 Tax Covenants ..... 57
Section 6.15 Agreements with Other Taxing Agencies ..... 57
Section 6.16 Annual Review of Subordinate Pledged Tax Revenues ..... 58
ARTICLE VII AMENDMENTS TO INDENTURE ..... 58
Section 7.01 Amendments Permitted ..... 58
Section 7.02 Effect of Supplemental Indenture ..... 61
Section 7.03 Bonds Owned by Agency ..... 61
Section 7.04 Notation on Bonds ..... 62
Section 7.05 Consent of Providers or Owners of Parity Obligations ..... 62
ARTICLE VIII CONCERNING THE FIDUCIARIES ..... 62
Section 8.01 Trustee; Acceptance of Duties ..... 62
Section 8.02 Paying Agents; Appointment and Acceptance of Duties ..... 62
Section 8.03 Responsibilities of Fiduciaries ..... 62
Section 8.04 Evidence on Which Fiduciaries May Act ..... 65
Section 8.05 Compensation ..... 66
Section 8.06 Certain Permitted Acts ..... 66
Section 8.07 Resignation of Trustee ..... 66
Section 8.08 Removal of Trustee ..... 66
Section 8.09 Appointment of Successor Trustee; Financial Qualifications of Successor Trustee ..... 67
Section 8.10 Transfer of Rights and Property to Successor Trustee ..... 68
Section 8.11 Merger or Consolidation ..... 68
Section 8.12 Adoption of Authentication ..... 69
Section 8.13 Resignation or Removal of Paying Agent and Appointment of Successor ..... 69
ARTICLE IX DEFEASANCE ..... 69
Section 9.01 Payment of Bonds ..... 69
Section 9.02 Bonds Deemed Paid ..... 70
Section 9.03 Defeasance of Portion of Bond ..... 72
Section 9.04 Discharge of Liability on Bonds ..... 72
ARTICLE X EVENTS OF DEFAULT; REMEDIES ..... 72
Section 10.01 Events of Default ..... 72

**TABLE OF CONTENTS**
**(continued)**

**Page**


| | | |
|---|---|---|
| Section 10.02 | Accounting and Examination of Records After Default | 73 |
| Section 10.03 | Application of Subordinate Pledged Tax Revenues and Other Moneys After Default | 73 |
| Section 10.04 | Right to Accelerate Upon Default | 75 |
| Section 10.05 | Appointment of Receiver | 75 |
| Section 10.06 | Enforcement Proceedings | 75 |
| Section 10.07 | Restriction on Owner's Action | 76 |
| Section 10.08 | Remedies Not Exclusive | 77 |
| Section 10.09 | Effect of Waiver and Other Circumstances | 77 |
| Section 10.10 | Notice of Default | 78 |
| ARTICLE XI | MISCELLANEOUS | 78 |
| Section 11.01 | Execution of Documents and Proof of Ownership | 78 |
| Section 11.02 | Severability | 78 |
| Section 11.03 | General Authorization | 79 |
| Section 11.04 | Moneys Held for Particular Bonds | 79 |
| Section 11.05 | Credit Providers | 79 |
| Section 11.06 | Reserve Financial Guaranty Providers | 80 |
| Section 11.07 | No Recourse on Bonds | 80 |
| Section 11.08 | Unclaimed Moneys | 80 |
| Section 11.09 | Holidays | 81 |
| Section 11.10 | Governing Law | 81 |
| Section 11.11 | Headings Not Binding | 81 |
| Section 11.12 | Preservation and Inspection of Documents | 81 |
| Section 11.13 | Parties Interested | 81 |

# INDENTURE OF TRUST

**Relating to**

# RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS)

THIS INDENTURE OF TRUST, dated as of July 1, 2007, is entered into by and between the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, and Union Bank of California, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character in the Indenture set forth,

WITNESSETH

WHEREAS, the Agency (capitalized terms used in this Master Indenture shall have the meanings given such terms in Section 1.01) is a redevelopment agency duly created and authorized to transact business and exercise its powers under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the California Health and Safety Code and referred to herein as the "Law"), and the powers of such agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan for a redevelopment project designated as the "Richmond Community Redevelopment Agency Merged Project Areas" (the "Project") has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, the plan contemplates that the Agency will issue its bonds to finance or refinance a portion of the cost of such redevelopment; and

WHEREAS, the Agency has heretofore authorized and issued its Richmond Community Redevelopment Agency Harbour Redevelopment Project 1991 Tax Allocation Refunding Bonds, Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (the "Harbour Bonds"); and

WHEREAS, the Richmond Joint Powers Financing Authority has heretofore authorized and issued its Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2000A (Tax-Exempt), Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003A (Tax Exempt), and its Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003B (Taxable) (the "JPA Bonds," and together with the Harbour Bonds, the "Senior Bonds"); and

WHEREAS, the Agency covenants and agrees herein that it will not issue any additional Senior Bonds or incur any debt or other obligation payable on parity with the Senior Obligations so long as any Bonds issued under the Indenture are Outstanding; and

WHEREAS, the Agency has determined to provide for the issuance from time to time of Bonds, including Refunding Bonds, payable from the Subordinate Pledged Tax Revenues and amounts held in certain Funds maintained under this Master Indenture and, with respect to each Series of Bonds, from such Credit Support Instrument or Instruments as may be provided for such Series pursuant to the Supplemental Indenture authorizing such Series of Bonds; and

WHEREAS, the Agency has determined that each Series of the Bonds should be issued on the terms and conditions set forth in this Master Indenture as supplemented by a Supplemental Indenture authorizing such Series of Bonds; and

WHEREAS, the Bonds of each Series shall be payable from the Subordinate Pledged Tax Revenues on a parity with the payment of any other Parity Obligations currently outstanding or hereafter issued by the Agency in accordance with the Indenture; and

WHEREAS, the Agency has determined all acts and things which are necessary in connection with the authorization, execution and delivery this Master Indenture have been done and performed in due time, form and manner; and

WHEREAS, the Trustee has accepted the trust created and established by the Indenture and in evidence thereof has joined in the execution of this Master Indenture;

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE OF TRUST WITNESSETH:

## ARTICLE I

## DEFINITIONS AND AUTHORITY

**Section 1.01 Definitions**. Unless the context otherwise requires, the following terms, for all purposes of this Master Indenture and, unless otherwise provided therein with respect to such Supplemental Indenture or any Series of Bonds authorized by such Supplemental Indenture, any Supplemental Indenture, shall have the meanings set forth below:

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date

is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"Additional Bonds" means Bonds issued in accordance with the terms and conditions of this Master Indenture for the purposes set forth in Section 2.05.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, issued for the purposes set forth in Section 2.05 and satisfying the conditions set forth in Section 2.07.

"Adjusted Combined Debt Service" means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

"Agency" means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Agency Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

"Applicable Combined Obligations" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(b) or (e) and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"Authority" means the Richmond Joint Powers Financing Authority.

"Authorized Denominations" means, with respect to Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

"Authorized Agency Representative" means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

"Balloon Indebtedness" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date

shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"Basis Differential Amount" means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provider, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Bond" means any of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) authorized pursuant to Article II of this Master Indenture and a Supplemental Indenture.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

"Bond Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to Section 3.06.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

"Book-Entry Bonds" means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of Section 3.04.

"Business Day" means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (iv) any day on which the banks are authorized or required by law or other government action to close in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capped Bonds" means Bonds issued hereunder as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Combined Debt Service" means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

"Combined Adjusted Annual Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(b) or (e), as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in any Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in this Master Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering

firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Costs of Issuance" means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"Credit Provider Reimbursement Obligations" means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long

as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(e), shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i)

projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in Section 2.07.

"Debt Service Adjustments and Assumptions" means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to Section 5.04(a), the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations, as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable

Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent subsection (h) applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent subsection (h) applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

"Debt Service Reserve Account" means the Debt Service Reserve Account, and any account thereof, established pursuant to Section 5.02.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the

first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of this Indenture.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to Article IX; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such

person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Event of Default" means an event described as such in Section 8.01.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of this Master Indenture or the Supplemental Indenture requiring such an opinion.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

"Fiduciary" means the Trustee for the Bonds appointed as provided in Section 8.02.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

"Fitch" means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Generally Accepted Accounting Principles" means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hedged Bonds" means Bonds issued hereunder as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial

principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency's payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty's payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

"Indenture" means, this Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Information Services" means any of the following services which has been designated in a certificate of the Agency delivered to the Trustee: Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; or such other services providing information with respect to called bonds as the Agency may designate in a certificate of the Agency delivered to the Trustee.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Interest Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Interest Payment Date" means, with respect to a Series of Bonds, each date on which interest on Bonds of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture authorizing the issuance of such Series.

"Issuing Instrument" means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Master Indenture" means this Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, as the provisions hereof may be modified or amended from time to time in accordance with Article VII.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Net Payment" means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required herein, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(e), Senior Bonds.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in Article VII, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

"Parity Obligations" means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of Section 2.07, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to Section 8.01(b) or Section 8.02, and its successor or successors appointed in the manner provided in the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures – U.S. government guaranteed public housing notes and bonds, U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the 2007 Series A Bond Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1" or better by Standard & Poor's;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash

from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(12) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the 2007 Series A Bond Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the 2007 Series A Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Principal Office" means, with respect to: (i) the Trustee, the principal office of such Trustee in _____, which as of the date hereof is located at _____; and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area*, initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area*, initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area*, initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area*, initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area*, initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area*, initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area*, initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area*, initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area,* initially established April 4, 1960, as amended from time to time.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on

a parity with the payment of other Parity Obligations and satisfying the conditions of Section 2.07(a), intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

"Redemption Date means, with respect to any Bonds to be redeemed in accordance with this Master Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

"Redemption Fund" means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund established pursuant to Section 5.02

"Redemption Price" means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

"Redevelopment Plan" means, collectively, the Redevelopment Plans for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan."

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of this Master Indenture for the purposes, and satisfying the conditions of Section 2.06.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in Section 2.06 and satisfying the conditions set forth in Section 2.07.

"Remaining Redevelopment Plan Limit" means the applicable time limit to collect tax increment under the Redevelopment Plan.

"Representation Letter" means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance herewith.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means, collectively, the Richmond Community Redevelopment Agency Harbour Redevelopment Project 1991 Tax Allocation Refunding Bonds, the Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A, the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2000A (Tax-Exempt), the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003A (Tax Exempt), and the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Harbour Indenture" means the Indenture, dated as of January 1, 1992, between the Agency and Bankers Trust Company of California, N.A., as trustee (the "1992 Indenture"), as supplemented by the First Supplemental Indenture, dated as of February 1, 1998, between the Agency and First Trust of California, N.A., as trustee (the "1998 Indenture").

"Senior Harbour Debt Service" means the principal (including mandatory redemption payments) of and interest on the Agency's Harbour Redevelopment Project 1991 Tax Allocation Bonds and the Agency's Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A and any other bonds issued under the Senior Harbour Indenture.

"Senior Obligations" means, collectively, the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), and the Loan Agreement, dated as of August 1, 2003, between the Agency and the Authority (the "2003 Senior Loan Agreement").

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Non-Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable).

"Set Aside Revenues" means, for any period of time, the portion of all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period.

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Special Fund" means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to Section 5.02.

"Special Record Date" has the meaning set forth in Section 3.02(f).

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of Section 2.08.

"Subordinate Pledged Tax Revenues" means, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to

the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period, (ii) Senior Debt Service payable during such period, (iii) except to the extent subordinated to Debt Service on Parity Obligations, amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and 33607.7 of the California Health and Safety Code during such period, and (iv) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period, and (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with Article VII.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tax Revenues" means, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, (ii) except to the extent subordinated to Senior Debt Service and Debt Service on Parity Obligations, amounts, if any, payable to a taxing entity pursuant to Section 33607.5 of the California Health and Safety Code during such period, (iii) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period, and (iv) Senior Harbour Debt Service payable during such period, and (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

"TBMA Index" means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market

Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then "TBMA Index" shall mean such other reasonably comparable index selected by the Agency.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"Trustee" means, Union Bank of California, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of Section 8.09.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

**Section 1.02 Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including districts, agencies and other public bodies, as well as natural persons. Unless otherwise indicated, references in this Master Indenture to subsections, Sections and Articles are to such subsections, Sections and Articles of this Master Indenture. Unless the context requires otherwise, the terms "herein," "hereof," "hereunder" and any similar terms, as used in this Master Indenture, shall refer to this Master Indenture as a whole and not to any particular provisions of this Master Indenture. Defined terms shall include any variant of the terms set forth in this Article.

The term "principal" when used with reference to a Capital Appreciation Obligation as of its maturity date shall refer to the Final Compounded Amount of such Capital Appreciation Obligation and as to any other date, the Accreted Value of such Capital Appreciation Obligation as of such date. The term "principal" when used with reference to a Parity Obligation which is a

Credit Provider Reimbursement Obligation shall refer to the amount advanced by the Credit Provider to the extent not included in Parity Obligations as Credit Provider Bonds. The term "interest" when used with reference to a Parity Obligation which is a Qualified Swap Agreement shall refer to the Net Payments due from the Agency under such Qualified Swap Agreement.

The term "issue" shall include issuance, creation, incurrence, entering into an agreement or any other act pursuant to which a party may become obligated with respect to an Obligation. The term "include" shall not be construed to be limited to the items or the type of items listed after such word, which items are by way of example and not limitation, but the term shall be construed as meaning "including without limitation."

**Section 1.03 Authority for this Master Indenture.** This Master Indenture is entered into by the Agency pursuant to the provisions of the Law.

## ARTICLE II

## AUTHORIZATION AND ISSUANCE OF BONDS

**Section 2.01 Authorization of Bonds.**

**(a)** This Master Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as may hereafter be provided in the Indenture or as may be limited by law.

**(b)** The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)," shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Agency may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

**Section 2.02 Bonds Constitute Limited Obligations.** The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under this Master Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this Section shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

The Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Agency or any of its income or receipts except the Subordinate Pledged Tax Revenues pledged therefor pursuant to this Master Indenture which pledge is subject to the provisions hereof permitting the application of the Subordinate Pledged Tax Revenues for the purposes and on the terms and conditions set forth herein. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Subordinate Pledged Tax Revenues, which lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues shall be on a parity with any pledge of Subordinate Pledged Tax Revenues securing Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements, and the Subordinate Pledged Tax Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds and for such Parity Obligations. The Bonds are not a debt of the City of Richmond, 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 Bonds constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in this Master Indenture). The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or in respect of any undertakings by the Agency under the Indenture; but nothing herein contained shall relieve any member, officer or employee of the 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.

**Section 2.03 Indenture to Constitute Contract**. In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

**Section 2.04 General Provisions for Issuance of Bonds.**

**(a)** All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of this Master Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental

Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in Section 2.05 or 2.06; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to Article IV, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that this

Master Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligation of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in Section 2.06 or Section 2.07, as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required in Section 2.06(b) or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by Section 2.06(c), as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of Section 2.05 or Section 2.06 or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**(b)** After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Section 2.05 Additional Bonds.** Subject to Section 2.07, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Section 2.06 Refunding Bonds.**

**(a)** Subject to Section 2.07, one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

**(b)** Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by

Section 2.04 and except as otherwise provided in subsection (c) of this Section with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

**(c)** A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by Section 2.04) of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

**(d)** The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Section 2.07 Conditions to Issuance of Parity Obligations.**

**(a)** Without regard to subsection (e) of this Section, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

**(b)** The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in subsection (e) of this Section are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

**(c)** Without regard to subsection (e) of this Section, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

**(d)** Without regard to subsection (e) of this Section, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

**(e)** The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in Section 7.03), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in this Master Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Section 2.08 Conditions of Issuance of Subordinated Obligations.**

**(a)** The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of Section 2.07(e) for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

**(b)** The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable

because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default

thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

**(c)** Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

**Section 2.09 Credit Provider Bonds.** Subject only to Section 2.02, notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

**Section 2.10 Limit on Indebtedness.** The Agency covenants with the Owners of the Bonds and the owners of all other Outstanding Parity Obligations at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Law the payments with respect to which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to all Parity Obligations) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes that can be allocated to the Agency pursuant to Section 33333.2(1) of the Law and the Redevelopment Plan.

**Section 2.11 Limitation on Issuance of Senior Bonds.** The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

## ARTICLE III

## GENERAL TERMS AND PROVISIONS OF BONDS

**Section 3.01 Medium of Payment; Form and Date; Letters and Numbers.**

**(a)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall be payable, with respect to principal, Redemption Price, if any, Purchase Price, if any, and interest in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

**(b)** The Bonds shall be issued in the form of fully registered bonds without coupons in Authorized Denominations.

**(c)** Each Bond shall be lettered and numbered as determined by the Trustee so as to be distinguished from every other Bond.

**(d)** The Bonds of each Series shall be dated as provided in or determined pursuant to the Supplemental Indenture authorizing such Series. Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such Bonds are authenticated on an Interest Payment Date, in which event from such Interest Payment Date; and (ii) unless such Bonds are authenticated after a Record Date and before the next succeeding Interest Payment Date for such Bonds, in which event from such Interest Payment Date; provided, however, that if the date of authentication of a Bond shall be prior to the Record Date for the first Interest Payment Date for such Bond, such Bond shall bear interest from its original dated date. Notwithstanding the foregoing, if the Agency shall default in the payment of interest, then the Bonds shall bear interest from the date to which interest has been paid or if no interest has been paid, from their original dated date.

**(e)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the interest payable on Bonds shall be calculated on the basis of a 360-day year of twelve, thirty day months.

**(f)** Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds (or, with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series), interest on each Bond shall be payable on each Interest Payment Date for such Bond and shall be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least $1,000,000 aggregate principal amount (or, with respect to a Series of the Bonds, such other principal amount as may be specified in the Supplemental Indenture authorizing such Series), of Bonds of any Series may, at any time prior to a Record Date with respect to the payment of interest on such Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Bonds by wire transfer or by deposit to an account.

Notwithstanding the foregoing, however, if the Agency shall default in the payment of interest due on Bonds on any Interest Payment Date, such interest shall cease to be payable to the persons in whose name such Bonds were registered in the Bond Register on the Record Date for such Interest Payment Date, and shall be payable, when and if paid by the Agency, to the persons in whose names such Bonds are registered at the close of business on the record date fixed therefor by the Trustee (each a "Special Record Date"), which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment.

Unless redeemed prior to such date, the principal of each Bond shall be payable on its maturity date and the Redemption Price of each Bond called for redemption prior to maturity, subject to the terms of Section 4.05(b), shall be payable on the applicable redemption date. Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds, the principal and, if applicable, the Redemption Price of each Bond shall be payable only upon presentation and surrender of such Bond at the Principal Office of the Trustee or any other Paying Agent for such Bond.

**Section 3.02 Legends.** Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange, commission or brokerage agent, or otherwise, as may be determined by the Agency prior to the authentication and delivery thereof.

**Section 3.03 Execution and Authentication.**

**(a)** The Bonds shall be executed in the name of the Agency by the manual or facsimile signature of the Chair of the Agency and attested by the facsimile or manual signature of the Secretary of the Agency, or in such other manner as may be authorized by Supplemental Indenture or required by law. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as provided in the Indenture, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices. Any Bond may be signed on behalf of the Agency by such persons as at the time of the execution of such Bond shall be duly authorized or hold the proper office in Agency, although at the date borne by such Bonds such persons may not have been so authorized or have held such office.

**(b)** The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Series, executed manually by the Trustee, including any Paying Agent appointed as agent for the Trustee pursuant to Section 8.01(b). Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Indenture and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Agency shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Indenture and that the Owner thereof is entitled to the benefits of the Indenture.

**Section 3.04 Book-Entry Bonds.**

**(a)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall be issued as Book-Entry Bonds in fully registered form with no distribution of physical bonds made to the public. Except as otherwise provided in Section 3.05, the Book-Entry Bonds of each Series shall be registered in the name of the Securities Depository or its Nominee as directed by the Securities Depository. The payment of Book-Entry Bonds and the giving of notices shall be governed by the terms of the Representations Letter with the Securities Depository for the Book-Entry Bonds. DTC shall act as the initial Securities Depository for the Book-Entry Bonds and has designated Cede & Co. as its Nominee. DTC has represented to the Agency that it shall maintain a book-entry program in recording ownership interests in the Book-Entry Bonds of its Participants and the ownership interests of a Beneficial Owner of a Bond shall be recorded through book entries on the records of the Participants.

**(b)** Bonds of each Series which are not Book-Entry Bonds shall be delivered to the Owners thereof as fully registered Bonds in the form specified in the Supplemental Indenture authorizing the issuance of such Series of Bonds, with the ownership of such Bonds being recorded in the Bond Register.

**(c)** In the event that the DTC or any successor Securities Depository ceases to act as Securities Depository for Bonds of a Series, then Bonds of such Series in certificated form shall be issued to the Owners in substantially the form of the Bond delivered to the former Securities Depository or its Nominee with necessary changes to reflect non-book-entry status as shall be approved by the officers of the Agency executing such Bonds. The issuance of individual Bonds in certificated form shall be accomplished as provided in the Representation Letter.

**(d)** With respect to Bonds registered in the Bond Register in the name of a Securities Depository or a Nominee, the Agency, the Trustee and each Paying Agent shall have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, none of the Agency, the Trustee or any Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of a Securities Depository, its Nominee or any Participant as to any ownership interest in the Bonds, (ii) the delivery to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds, or (iii) the payment to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal and Purchase Price of, premium, if any, or interest on the Bonds. The Agency, the Trustee and each Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of principal and Purchase Price of, premium, if any, and interest on such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. None of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary. All principal and Purchase Price of, premium, if any, and interest on the Bonds shall be paid only to or upon the order of the respective Owner, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments

shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal and Purchase Price of, Redemption Price, if any, and interest on the Bonds to the extent of the sum or sums so paid, and none of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the Agency to make payments of principal and Purchase Price of, Redemption Price, if any, and interest pursuant to the Indenture.

**(e)** Upon delivery by a Securities Depository to the Agency of written notice to the effect that the Securities Depository has determined to substitute a new Nominee in place of its current Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee for purposes of the Indenture shall refer to such new Nominee of the Securities Depository; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

**(f)** Notwithstanding any other provision of the Indenture and so long as Book-Entry Bonds are registered in the name of a Nominee, the Agency and the Trustee shall cooperate with the Securities Depository in effecting payment of the principal of, Redemption Price, if any, and interest on such Book-Entry Bonds by arranging for payment in such manner as the Securities Depository may reasonably instruct in writing that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Representation Letter, the provisions of which the Trustee may rely upon to implement the foregoing procedures.

**(g)** A Securities Depository for the Book-Entry Bonds may resign upon giving 30 days written notice of such resignation to the Agency and the Trustee. The Agency may terminate the use of the book-entry system of a Securities Depository for Book-Entry Bonds upon giving 30 days written notice of such termination to the Securities Depository and the Trustee. Any such resignation or termination shall become effective upon the earlier of the appointment of a successor Securities Depository for Book-Entry Bonds by the Agency or the issuance of Bonds which are not Book-Entry Bonds pursuant to Section 3.05.

**Section 3.05 Transfers Outside Book-Entry Program.** In the event that the resignation or removal of a Securities Depository has become effective pursuant to Section 3.04(g), then the Agency shall thereupon discontinue the current book-entry program for the Book-Entry Bonds with such Securities Depository. In such event, the Agency shall cause the Trustee to obtain from the former Securities Depository a list showing the interests of the Participants in the Book-Entry Bonds and shall cause such Book-Entry Bonds to be surrendered to the Trustee on or before the date any replacement Bonds are to be issued. Furthermore, in such event the Agency determines to use a substitute Securities Depository, the Agency shall so notify the Trustee and each Paying Agent for Book-Entry Bonds. If, prior to the termination of the current Securities Depository's book-entry system for the Book-Entry Bonds, the Agency fails to identify another qualified Securities Depository to replace the current Securities Depository, then the Book-Entry Bonds shall no longer be required to be registered in the name of a Securities Depository or its Nominee and the Agency shall issue, and the Trustee shall authenticate, replacement Bonds in the appropriate amounts and in whatever name or names the

Owners of the Book-Entry Bonds shall designate pursuant to the Representation Letter with the former Securities Depository. In the event the Agency determines that the Beneficial Owners of the Bonds shall be able to obtain physical Bonds through a Securities Depository, the Agency may notify the Participants identified by the Securities Depository as having an interest in the Bonds of the availability of such physical Bonds and the Trustee shall authenticate, transfer and exchange Bonds as required by the Securities Depository in the appropriate names and amounts, which shall be in Authorized Denominations.

**Section 3.06 Bond Register**. The Trustee shall keep or cause to be kept, at its Principal Office, the Bond Register for the registration and transfer of the Bonds of each Series which shall at all times be open to inspection during regular business hours by the Agency, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on said Bond Register, Bonds of each Series as provided in the Indenture.

The Agency, the Trustee and each Paying Agent may rely on the address of the Owner of each Bond as it appears on the Bond Register for any and all purposes. It shall be the duty of the Owner of each Bond to give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

**Section 3.07 Interchangeability of Bonds**. Upon surrender of a Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee and duly executed by the Owner or the Owner's attorney duly authorized in writing, may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Trustee may make as provided in Section 3.09, be exchanged for an equal aggregate principal amount of Bonds of the same Series, terms and maturity of any other Authorized Denominations.

**Section 3.08 Negotiability, Transfer and Registry**. Each Bond shall be transferable only upon the Bond Register, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond, the Agency shall execute and the Trustee shall authenticate, deliver and register in the Bond Register in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, terms and maturity as the surrendered Bond.

**Section 3.09 Regulations With Respect to Exchanges and Transfers**. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, in all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture relating to such Bonds. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and cancelled by the Trustee. Unless the Indenture relating to such Bonds provides that such transfer or exchange shall be made without charge to the Owner, for every such exchange or transfer of Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid and any other cost incurred by the Agency or the Trustee with respect to such exchange or transfer.

**Section 3.10 Bonds Mutilated, Destroyed, Stolen or Lost.** Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, if any Bond becomes mutilated or is lost, stolen or destroyed, the Agency may execute and the Trustee shall authenticate and deliver a new Bond of like date of Series, maturity, principal amount and terms as the Bond so mutilated, lost, stolen or destroyed; provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to Agency or the Trustee, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Trustee together with indemnity satisfactory to the Trustee, (iii) all other reasonable requirements of the Agency and the Trustee are complied with, and (iv) expenses in connection with such transaction are paid by the Owner. Any Bond surrendered for exchange shall be cancelled. Any such new Bond issued pursuant to this Section in substitution for a Bond alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Agency, whether or not the Bond so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally payable from the Subordinate Pledged Tax Revenues on a parity with and entitled to equal and proportionate benefits with, all other Bonds.

**Section 3.11 Temporary Bonds.**

**(a)** Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, until the definitive Bonds are prepared, the Agency may execute, in the same manner as is provided in Section 3.03, and upon the request of the Agency, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the exchangeability for Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds shall be payable in the same manner as interest is payable on the definitive Bonds in lieu of which such temporary Bonds were issued. The Agency, at its own expense, shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive registered Bonds of the same aggregate Series, principal amount, terms, maturity and date of issue as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds of a Series shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture authorizing the issuance of such Series of Bonds.

**(b)** Temporary Bonds authorized in more than one denomination, upon surrender thereof at the Principal Office of the Trustee, may at the option of the Owner thereof, and upon payment by such Owner of any charges which may be made as provided in Section 3.09 be exchanged for an equal aggregate principal amount of temporary Bonds of the same Series, maturity, and containing the same terms, of any of the Authorized Denominations as shall be requested by such Owner.

**(c)** All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

**Section 3.12 Cancellation and Destruction of Bonds.** All Bonds paid or redeemed, either at or before maturity, and all Bonds surrendered for transfer or exchange, shall be delivered to the Trustee when such payment, redemption or surrender is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Agency and the other executed certificate shall be retained by the Trustee.

## ARTICLE IV

## REDEMPTION OF BONDS

**Section 4.01 Privilege of Redemption and Redemption Price.** Bonds of each Series subject to redemption prior to maturity pursuant to the Supplemental Indenture authorizing such Series shall be redeemable, upon giving notice as provided in this Article IV, at such times and at such redemption prices as shall be specified in or pursuant to the Supplemental Indenture authorizing such Series and upon such terms as may be specified in this Article IV.

**Section 4.02 Redemption at the Direction of Agency.** In the case of a redemption of Bonds of any Series at the option or direction of the Agency, the Agency shall give written notice to the Trustee of the exercise of its option to redeem Bonds or of its direction to otherwise cause the redemption of Bonds at its direction, and of the redemption date, principal amounts of the Bonds of such Series and maturity to be redeemed (which Series, maturities and principal amounts shall be determined by the Agency in its sole discretion, subject to any limitations with respect thereto contained in the Supplemental Indenture authorizing such Series of Bonds and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed shall be in an Authorized Denomination). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 4.05 provided, other than a conditional notice pursuant to Section 4.05(b), there shall be paid on or prior to the redemption date to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, shall be sufficient to redeem on the applicable redemption date at the Redemption Price, all of the Bonds to be redeemed.

**Section 4.03 Redemption Otherwise Than at Agency's Direction.** Whenever by the terms of the Indenture, the Trustee is required or authorized to redeem Bonds otherwise than at the option or direction of the Agency and the Indenture does not expressly set forth the principal amount of Bonds of each Series and maturity so subject to redemption to be redeemed, the Agency may select the principal amounts of the Bonds of each Series and maturity to be redeemed (which Series, maturities and principal amounts to be redeemed shall be determined by the Agency in its sole discretion, subject to any limitations with respect thereto contained in the Indenture and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed shall be in an Authorized Denomination) and in the event the Agency does not notify the Trustee of such Series, maturities, and principal amounts, to be redeemed on or before the forty-fifth (45th) day preceding the redemption date, the Trustee shall,

in its sole discretion, subject to any limitations with respect to the Series, maturity, or principal amount of Bonds to be redeemed contained in the Indenture, select the Series, maturities and principal amounts of Bonds to be redeemed, which selection shall be conclusive, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof to the Owners of the Bonds to be redeemed or to appropriate Paying Agents in accordance with the terms of this Article IV.

**Section 4.04 Selection of Bonds to be Redeemed.** If less than all of the Outstanding Bonds, or less than all of the Outstanding Bonds of like Series and maturity, shall be called for prior redemption, except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, the particular Bonds or portions of Bonds to be redeemed shall, subject to any limitations with respect thereto contained in the Indenture, be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination greater than the minimum Authorized Denomination for the Bonds of a Series shall be redeemed in part only in a principal amount such that the portion of such Bond which is not redeemed shall be in an Authorized Denomination for such Series and that, in selecting portions of Bonds of a Series for redemption, the Trustee shall treat each Bond of each Series as representing that number of Bonds of the minimum Authorized Denomination for such Series which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for the Bonds of such Series.

**Section 4.05 Notice of Redemption.**

**(a)** When the Trustee shall receive notice from the Agency of the exercise of its option to redeem Bonds or of its direction to otherwise cause the redemption of Bonds pursuant to Section 4.02, and when redemption of Bonds of a Series is authorized or required pursuant to Section 4.03, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the redemption date to the Owners of any Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register with a copy of such notice to the relevant Credit Provider, if any. Such notice shall specify the Series and maturity date of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof to be redeemed in the case of Bonds to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such Bond to be redeemed shall cease to accrue and be payable.

Receipt of such notice shall not be a condition precedent to the redemption of Bonds and failure of any Owner of a Bond to receive any such notice or any insubstantial defect

in such notice shall not affect the validity of the proceedings for the redemption of Bonds. Any defect in such notice given to the Owners of less than all of the Bonds to be redeemed shall not affect the validity of the proceedings for the redemption of the Bonds as to which the notice of redemption did not contain such defect.

**(b)** In the event that funds required to pay the Redemption Price of the Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Bonds at the option of the Agency is given, such notice shall state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Agency shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of Bonds pursuant to the conditional notice of redemption.

**(c)** If upon the expiration of sixty (60) days succeeding any redemption date, any Bonds called for redemption shall not have been presented to the Trustee for payment, the Trustee shall no later than ninety (90) days following such redemption date, send written notice by first class mail to the Owner of each Bond not so presented. Failure to mail the notices required by this subsection to any Owner, or any defect in any notice so mailed, shall not affect the validity of the proceedings for redemption of any Bonds nor impose any liability on the Trustee.

**(d)** In addition to the notice of redemption required pursuant to subsection (a) of this Section, if any Bonds are to be redeemed, then at the written request of an Authorized Agency Representative received at least forty-five (45) days before the redemption date, at least thirty (30) days before the redemption date, the Trustee shall also give redemption notice by (i) registered or certified mail, return receipt requested, postage prepaid, (ii) telephonically confirmed facsimile transmission, (iii) overnight delivery service or (iv) other means acceptable to such Information Service, to one of the Information Services.

Failure to give the notices described in this subsection or any defects therein, shall not in any manner affect the proceedings for redemption of any Bonds.

**(e)** Neither the Agency nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bonds or in any redemption notice or other notice with respect thereto, and any such redemption notice or other notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Agency nor the Trustee shall be liable for any inaccuracy in such numbers.

**Section 4.06 Partial Redemption of Bonds.** Upon surrender of any Bond to be redeemed in part only, the Agency shall execute, and the Trustee shall authenticate and deliver to

the Owner of such Bond, at the expense of the Agency, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, of the same Series, maturity and terms as the surrendered Bond.

**Section 4.07 Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly mailed to the Owners of the Bonds to be redeemed (in whole or in part), as provided in Section 4.05, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

**(a)** the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, as provided in the Indenture, anything in such Indenture or in the Bonds to the contrary notwithstanding;

**(b)** except as otherwise provided in a Representation Letter, upon presentation and surrender thereof at the Principal Office of the Trustee or another Paying Agent for such Bonds, the Bonds to be redeemed shall be redeemed at the applicable Redemption Price;

**(c)** the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

**(d)** after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

## ARTICLE V

## ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

**Section 5.01 Pledge of Subordinate Pledged Tax Revenues.** Subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency hereby irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special

Fund and in the funds or accounts so specified and provided for in this Master Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in this Master Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture and without the need for any physical delivery, recordation, filing or further act.

**Section 5.02 Funds**. To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are hereby established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

**(a)** the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

**(b)** the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

**Section 5.03 Receipt and Deposit of Subordinate Pledged Tax Revenues**. After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer, on a quarterly basis, all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to Section 5.04 hereof. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to Section 5.04 of this Indenture, shall be released from the pledge and lien hereunder and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in Article IX.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes herein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

**Section 5.04 Special Fund. (a)** All moneys in the Special Fund shall be set aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section 5.04.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to this Section 5.04, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account. (i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds

or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to Section 9.02, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by Section 5.04(a)(4), the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute

Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty" in Section 1.01, the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, the provisions of this Section 5.04(a)(4) shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

**(b)** In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of subsection (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

**(c)** In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of subsection (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of subsection (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

**(d)** In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate

account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to this Section, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

**Section 5.05 Redemption Fund**. From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this Section, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this Section, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

**Section 5.06 Depositories.** The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes hereof.

**Section 5.07 Deposits.**

**(a)** All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit,

provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

**(b)** All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" in Section 1.01 having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this 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.

**Section 5.08 Investment of Certain Funds.** Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" in Section 1.01 which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in this Section 5.08, invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental Indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

**Section 5.09 Sale of Investments.** Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

## ARTICLE VI

## COVENANTS AND OBLIGATIONS OF THE AGENCY

The Agency covenants with the Owners of the Outstanding Bonds and with each Credit Provider and each provider or owner of other Parity Obligations as set forth in this Article VI. Each of said covenants shall remain in full force and effect so long as any of the Bonds shall be Outstanding and unpaid, any Credit Support Instrument remains outstanding, and any Credit Provider Reimbursement Obligations remain unpaid.

**Section 6.01 Compliance with Indenture.** The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and

performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

**Section 6.02 Against Encumbrances**. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

**Section 6.03 Extension or Funding of Claims for Interest**. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Section 6.04 Payment of Claims**. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

**Section 6.05 Books and Accounts; Financial and Project Statements.** The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries shall be made of all transactions relating to the Project. 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 Bonds then Outstanding and each provider or owner of other Parity Obligations or their respective representatives authorized in writing.

The Agency will prepare and file with the Trustee, the Credit Provider, if any, and, if requested, each provider or owner of Parity Obligations (other than Owners of Bonds), 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 Bonds or other Parity Obligations 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 Agency and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee, at the expense of the Agency, will furnish a copy of such audited financial statement to any Owner upon written request. The Trustee shall provide such statements with regard to any funds held by the Trustee hereunder to the Agency as the Agency may reasonably require to comply with the terms of this Section 6.05. The Trustee shall have no duty to review any financial statements filed with it hereunder..

**Section 6.06 Protection of Security and Rights of Owners.** The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

**Section 6.07 Payment of Taxes and Other Charges.** Subject to the provisions of Section 6.09 hereof, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

**Section 6.08 Financing the Project.** The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

**Section 6.09 Taxation of Leased Property**. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

**Section 6.10 Disposition of Property in Project Area**. The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of this Master Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of this Master Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less one hundred twenty-five percent (125%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

**Section 6.11 Amendment of Redevelopment Plan**. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in Section 2.07(e), the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in Section 2.07(e), the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

**Section 6.12 Subordinate Pledged Tax Revenues.** The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

**Section 6.13 Further Assurances.** The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

**Section 6.14 Tax Covenants.** The 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 Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under 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 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 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 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 hereunder 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.

**Section 6.15 Agreements with Other Taxing Agencies.** So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law (as it existed on _____) or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

**Section 6.16 Annual Review of Subordinate Pledged Tax Revenues.** The Agency hereby covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than _____ 1 (commencing _____ 1, 20__), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by this Section 6.16, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

## ARTICLE VII

## AMENDMENTS TO INDENTURE

**Section 7.01 Amendments Permitted.**

**(a)** Subject to the provisions of subsection (d) of this Section, the provisions of this Master Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of subsection (d) of this Section are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this Section. No such modification,

amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes of this Section, the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to this subsection, the Agency shall have received an instrument or instruments in writing executed in accordance with Section 11.01 by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

**(b)** This Master Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of Article II, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of

subsection (f) of this Section, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

**(c)** This Master Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

**(i)** to add to the covenants and agreements of the Agency contained in this Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

**(ii)** to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under this Master Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

**(iii)** to modify, amend or supplement this Master Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

**(d)** Notwithstanding anything to the contrary in this Section, the provisions of this Master Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in subsection (a) of this Section, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of subsection (a) of this Section is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

**(e)** If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this Section, then for the purposes of sending notice of any

proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of subsection (b) of this Section, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

**(f)** For purposes of this Section, it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this Section if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

**(g)** Notwithstanding anything to the contrary contained in this Section, if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

**Section 7.02 Effect of Supplemental Indenture** Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to this Article, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

**Section 7.03 Bonds Owned by Agency** For purposes of this Article, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article as an Owner of Bonds. At the time of any consent or other action taken under this Article, the Agency shall furnish the Trustee a certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

**Section 7.04 Notation on Bonds**. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in this Article provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

**Section 7.05 Consent of Providers or Owners of Parity Obligations**. This Master Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under this Master Indenture without the prior written consent of such provider or owner of such Parity Obligations.

## ARTICLE VIII

## CONCERNING THE FIDUCIARIES

**Section 8.01 Trustee; Acceptance of Duties**. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of this Master Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

**Section 8.02 Paying Agents; Appointment and Acceptance of Duties.**

**(a)** The Agency hereby appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 8.13 as an additional Paying Agent for the Bonds of one or more Series.

**(b)** Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

**(c)** The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

**Section 8.03 Responsibilities of Fiduciaries.**

**(a)** Any recitals of fact in the Indenture and in the Bonds contained shall be taken as the statements of the Agency and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency

of the Indenture or of any Bonds issued thereunder or as to the security afforded by the Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) of this Section, no Fiduciary shall be liable in connection with the performance of its duties under the Indenture except for its own negligence, willful misconduct or default.

**(b)** The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section.

Without limiting the generality of the foregoing:

(1) the Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of a Credit Provider or a Reserve Financial Guaranty Provider or the Owners of 25% in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture;

(3) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(4) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners, a Credit Provider or a Reserve Financial Guaranty Provider pursuant to the Indenture (except for declaring an acceleration of the Bonds or requesting credit and/or liquidity support pursuant to a Credit Support Instrument), unless such Owners, such Credit Provider or such Reserve Financial Guaranty Provider shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(5) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon, facsimile transmission, electronic mail or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Agency, personally or by agent or attorney;

(6) the Trustee shall not be required to take notice of and shall not be deemed to have knowledge of any Event of Default (other than an Event of Default specified in subsection (i) of Section 10.01) or any event which would, with the passage of time, the giving of notice, or both, constitute an Event of Default, unless the Trustee shall have been notified of such Event of Default or other event by the Agency, a Credit Provider or a Reserve Financial Guaranty Provider, or the Owners of 10% in aggregate principal amount of Bonds Outstanding;

(7) the Trustee shall not be responsible for any moneys or funds held by the Agency), or for monitoring the accounting and investment practices of the Agency, other than requiring the delivery of the Annual Budget and annual financial statements and reports pursuant to Section 6.05;

(8) The Trustee may perform its duties under the Indenture through agents and attorneys and the Trustee shall not be liable for the negligence or misconduct on the part of any

agent or attorney appointed with due care by it under the Indenture if the Agency has a right to proceed directly against such agent or attorney for any such negligence or misconduct; and

(9) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Whether or not therein expressly provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

**Section 8.04 Evidence on Which Fiduciaries May Act.**

**(a)** Each Fiduciary, upon receipt of any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Indenture, shall examine such instrument to determine whether it conforms to the requirements, if any, of the Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be Bond Counsel or counsel to the Agency, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

**(b)** Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Agency Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

**(c)** Except as otherwise expressly provided in the Indenture, any request, requisition, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Indenture by the Agency to any Fiduciary shall be sufficiently executed in the name of the Agency by an Authorized Agency Representative

**(d)** The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture; provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

**Section 8.05 Compensation**. The Agency shall cause to be paid to each Fiduciary from time to time reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Indenture; provided, however, that so long as any Bonds remain Outstanding or any amounts due to a Credit Provider under a Credit Support Agreement or a Reserve Financial Guaranty Provider under a Reserve Financial Guaranty, no Fiduciary shall have a lien therefor on any and all funds at any time held by it under the Indenture. Subject to the provisions of Section 8.03, the Agency further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture or the transactions contemplated by the Indenture, and which are not due to its negligence, willful misconduct or default.

**Section 8.06 Certain Permitted Acts**. Any Fiduciary may become the Owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

**Section 8.07 Resignation of Trustee**. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with Section 8.09.

**Section 8.08 Removal of Trustee**. The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would

become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with Section 8.09 .

**Section 8.09 Appointment of Successor Trustee; Financial Qualifications of Successor Trustee.**

**(a)** In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, with (to the extent required by a Supplemental Indenture) the consent of each Credit Provider and each Reserve Financial Guaranty Provider, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of the Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Agency and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Owners of the Bonds as aforesaid, the Agency, by a duly executed written instrument signed by an Authorized Agency Representative shall forthwith appoint a Trustee to replace such resigning Trustee or to fill such vacancy until a successor Trustee shall be appointed by the Owners of the Bonds as authorized in this Section. Any successor Trustee appointed by the Agency shall, immediately and without further act, be superseded by the Trustee appointed by the Owners of the Bonds. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

**(b)** If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Agency written notice as provided in Section 8.07 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under Section 8.07) or the Owner of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) The Trustee appointed under the provisions of this Article or any successor to the Trustee shall be a bank or trust company organized under the laws of any state of the United States or national banking association, doing business and having its principal corporate trust office in New York, New York, or Chicago, Illinois, or Los Angeles, California, or San Francisco, California, duly authorized to exercise trust powers and subject to examination by federal or state authority. Each successor Trustee shall have capital stock and surplus aggregating at least $75,000,000, or have all of its obligations under the Indenture guaranteed by a bank or trust company organized under the laws of the United States, or any state thereof, with a capital stock and surplus or net worth of $75,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

**Section 8.10 Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee and the Agency an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, power, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, at the written request of the Agency, or of the successor Trustee, execute, acknowledge, deliver, file and record such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Indenture or covered by the pledge of the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions in the Indenture set forth. Should any deed, conveyance or instrument in writing from the Agency be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such lien, estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Agency. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

**Section 8.11 Merger or Consolidation.** Any company into which a Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, shall satisfy the applicable standards of a successor set forth in the Indenture, and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

**Section 8.12 Adoption of Authentication.** In case any of the Bonds contemplated to be issued under the Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or provided in the Indenture that the certificate of the Trustee shall have.

**Section 8.13 Resignation or Removal of Paying Agent and Appointment of Successor.**

**(a)** Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days written notice to the Agency, the Trustee, each Credit Provider, each Reserve Financial Guaranty Provider and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Agency Representative. Any successor Paying Agent shall be appointed by the Agency with the approval of the Trustee (and each Credit Provider and each Reserve Financial Guaranty Provider required by a Supplemental Indenture) and shall be a commercial bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

**(b)** In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

## ARTICLE IX

## DEFEASANCE

**Section 9.01 Payment of Bonds.** If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of subsection (b) of this Section, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for hereunder and all covenants, agreements and

obligations of the Agency contained herein, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee hereunder free and clear of any liens or encumbrances hereon pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of this Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in Section 6.14 hereof and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 8.05 hereof relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under this Article, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

**Section 9.02 Bonds Deemed Paid.** Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in Section 9.01. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this Section shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in Section 9.01 (except that the obligations under the Indenture set forth in Section 9.01 (b) and the giving of the notices of the redemption of Bonds to be redeemed as provided in Article IV shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in Article IV, (2) there shall have been deposited with an Escrow Agent

either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this Section with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this Section with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this Section and notify the Owner of such Bond that such Bond must be surrendered as provided in Section 9.03. The receipt of any notice required by this Section shall not be a condition precedent to any Bond being deemed paid in accordance with this Section and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this Section. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this Section, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or

redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

**Section 9.03 Defeasance of Portion of Bond.** If there shall be deemed paid pursuant to Section 9.02 less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to Section 9.02 and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

**Section 9.04 Discharge of Liability on Bonds.** Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in Section 9.01 or Section 9.02, as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of Sections 6.14 and 9.02; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

## ARTICLE X
## EVENTS OF DEFAULT; REMEDIES

**Section 10.01 Events of Default.** Each of the following shall constitute an Event of Default under the Indenture:

**(i)** if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

**(ii)** if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of

other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit Provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within thirty (30) days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

**(iii)** an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

**Section 10.02 Accounting and Examination of Records After Default.**

**(a)** The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

**(b)** The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

**Section 10.03 Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.**

**(a)** Notwithstanding anything to the contrary contained in the Indenture, including Article V of this Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

**(b)** During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of subsection (b) of Section 2.08, to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of subsection (b) of Section 2.08, to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

**(c)** If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

**(d)** The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes hereof, including without limitation, payment of defaulted interest and giving direction to the Trustee.

**Section 10.04 Right to Accelerate Upon Default.** Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

**Section 10.05 Appointment of Receiver.** If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

**Section 10.06 Enforcement Proceedings.**

**(a)** If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support

Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

**(b)** All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

**(c)** Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

**(d)** Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

**(e)** If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

**Section 10.07 Restriction on Owner's Action.**

**(a)** Except as otherwise provided in paragraph (b) of this Section and subject to rights of the relevant Credit Provider to direct remedies as set forth herein or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the

execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of Section 11.05.

**(b)** Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

**Section 10.08 Remedies Not Exclusive.** No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of this Master 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.

**Section 10.09 Effect of Waiver and Other Circumstances.**

**(a)** No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

**(b)** The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless

the provisions of this subsection (b) have been satisfied with respect to such subsequent Event of Default.

**Section 10.10 Notice of Default.**

The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

## ARTICLE XI

## MISCELLANEOUS

**Section 11.01 Execution of Documents and Proof of Ownership**. Any request, direction, consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for any purpose of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

**(a)** The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be provided by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

**(b)** As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner for all purposes. None of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary.

**(c)** Nothing contained in the Indenture shall be construed as limiting the Agency or the Trustee to such proof, it being intended that the Agency or the Trustee may accept any other evidence of the matters stated in this Section which the Agency or the Trustee may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect to anything done or suffered to be done by the Agency or the Trustee in pursuance of such request or consent.

**Section 11.02 Severability**. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture, and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture and

the Bonds shall remain valid, and the Bondowners shall retain all valid rights and benefits accorded to them under the Indenture, the Law, and the Constitution and statutes of the State.

**Section 11.03 General Authorization**. The Authorized Agency Representatives, each acting singly, are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with the Indenture necessary or appropriate to carry the same into effect.

**Section 11.04 Moneys Held for Particular Bonds**. Except as otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the amounts held by the Trustee, any Paying Agent or any Escrow Agent for the payment of principal, premium if any, Purchase Price or interest due on any date with respect to particular Bonds of such Series shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto. None of the Agency, the Trustee, any Paying Agent or any Escrow Agent shall be liable to any Owner for interest on amounts so held in trust.

**Section 11.05 Credit Providers.** **(a)** Except as limited by Section 7.01(b), a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under this Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

**(b)** All provisions under this Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of this Master Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

**(c)** All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

the Bonds shall remain valid, and the Bondowners shall retain all valid rights and benefits accorded to them under the Indenture, the Law, and the Constitution and statutes of the State.

**Section 11.03 General Authorization**. The Authorized Agency Representatives, each acting singly, are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with the Indenture necessary or appropriate to carry the same into effect.

**Section 11.04 Moneys Held for Particular Bonds**. Except as otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the amounts held by the Trustee, any Paying Agent or any Escrow Agent for the payment of principal, premium if any, Purchase Price or interest due on any date with respect to particular Bonds of such Series shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto. None of the Agency, the Trustee, any Paying Agent or any Escrow Agent shall be liable to any Owner for interest on amounts so held in trust.

**Section 11.05 Credit Providers**. **(a)** Except as limited by Section 7.01(b), a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under this Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

**(b)** All provisions under this Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of this Master Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

**(c)** All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

**Section 11.06 Reserve Financial Guaranty Providers.** **(a)** All provisions under this Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (i) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (ii) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of this Master Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

**(b)** All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

**Section 11.07 No Recourse on Bonds.** Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under this Master Indenture, any Supplemental Indenture or any Bond.

**Section 11.08 Unclaimed Moneys.** Anything in this Master Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice,

which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

**Section 11.09 Holidays**. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in any Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in a Supplemental Indenture, no interest shall accrue for the period after such nominal date.

**Section 11.10 Governing Law**. The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Section 11.11 Headings Not Binding**. The headings in this Master Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Indenture.

**Section 11.12 Preservation and Inspection of Documents**. All documents received by the Trustee, any Paying Agent or any Escrow Agent under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection by the Agency, the Trustee, any Credit Provider and any Owner of an Outstanding Bond and their agents and their representatives, any of whom may make copies thereof.

**Section 11.13 Parties Interested**. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Agency, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers, the Owners of the Bonds and the providers and owners of other Parity Obligations, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers, the Owners of the Bonds and the providers and owners of other Parity Obligations.

IN WITNESS WHEREOF, Richmond Community Redevelopment Agency has caused these presents to be signed in its name and on its behalf by its Executive Director and attested by its Secretary and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the 12 day of July, 2007.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Name: Steve Duran
Title: Executive Director

Attest:

_____
Clerk

Union Bank of California, N.A., as Trustee

By_____
Authorized Officer

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF THE AUTHORITY

The undersigned hereby states and certifies:

(a) that the undersigned, Steven Duran is the duly appointed, qualified and acting Executive Director of the Richmond Joint Powers Financing Authority (the "Authority"), a joint power authority organized and existing under and by virtue of the laws of the State of California, and operating pursuant to Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Act") and pursuant to a joint exercise of powers agreement, dated as of December 1, 1989 (the "Agreement"), by and between the City of Richmond and the Richmond Community Redevelopment Agency (the "Agency"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that the representations, warranties and covenants of the Authority contained in the Bond Purchase Agreement, dated July 10, 2007, by and among the Authority, RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter") and the Richmond Community Redevelopment Agency (the "Agency"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Purchase Agreement"), and the Bond Purchase Agreement, dated June 28, 2007, by and among the Authority, the Underwriter and the Agency, relating to the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Purchase Agreement" and together with the Series 2007A Purchase Agreement, the "Purchase Agreements"), are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the Authority has complied with all of the terms and conditions of the Purchase Agreements required to be complied with by the Authority at or prior to the date hereof;

(c) that the information relating to the Authority under the caption "THE AUTHORITY," contained in the Official Statement relating to the Bonds as of its date and as of the date hereof, is true and correct in all material respects.

Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Series 2007A and or Series 2007B Purchase Agreements.

Dated: July 12, 2007

**RICHMOND JOINT POWERS FINANCING AUTHORITY**

By: _____
Steven Duran, Executive Director

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CERTIFICATE OF UNION BANK OF CALIFORNIA, N.A.

The undersigned, a duly authorized officer of Union Bank of California, N.A. (the "Trustee"), under that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007, between the Richmond Community Redevelopment Agency (the "Agency) and the Trustee (collectively, the "Non-Housing Indenture"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), and as Trustee under that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007, between the Agency and the Trustee (collectively, the "Housing Indenture" and together with the Non-Housing Indenture, the "Indentures"), relating to the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds"), and as Trustee under that certain Continuing Disclosure Agreement, dated as of July 1, 2007 (the "Continuing Disclosure Agreement"), among the Agency, the Trustee and MuniFinancial, as dissemination agent (the "Dissemination Agent"), and as Trustee under that certain Auction Agreement, dated as of July 1, 2007 (the "Auction Agreement"), between the Agency and Wells Fargo Bank, N.A., as Auction Agent, hereby certifies as follows:

1. The Trustee is a national banking association duly organized and validly existing under and by virtue of the laws of the United States of America having the full power and being qualified to enter into and perform its duties under the Indentures and to authenticate and deliver the Bonds to the Underwriter pursuant to the Indentures.

2. The Trustee has full power, authority and legal right to comply with the terms of the Indentures, the Auction Agreement and the Continuing Disclosure Agreement, and to perform its obligations stated therein.

3. The execution and delivery of the Indentures and the Auction Agreement and compliance with the provisions on the part of the Trustee contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the liens created by the Indentures under the terms of any such law,

administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture.

4. To the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against it, affecting its existence, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of the Bonds or the collection of revenues to be applied to pay the principal, premium, if any, and interest with respect to the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indentures or the Auction Agreement or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Series Bonds, the Indentures or the Auction Agreement or the power and authority of the Trustee to enter into and perform its respective duties under the Indentures and the Auction Agreement and to authenticate and deliver the Bonds to the Underwriter

5. The Trustee has duly authenticated $65,400,000 aggregate principal amount of the Series 2007A Bonds and $9,772,621.50 aggregate principal amount of the Series 2007B Bonds and delivered such bonds to the Underwriter, pursuant to written direction of the Agency.

Dated: July 12, 2007

**UNION BANK OF CALIFORNIA, N.A., as Trustee and Auction Agent**

By:_____
Authorized Officer

I certify that the attached resolution was adopted by the Board of Directors of Union Bank of California, N.A., at a regular meeting of said Board held on April 26, 2000.

I further certify that the attached resolution now stands on the records of the books of the Corporation and has not been modified, repealed or set aside in any manner whatsoever and is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand of said Bank this 12th day of July, 2007.

Douglas J. Schlafer
Assistant Secretary

UNIONBANCAL CORPORATION
UNION BANK OF CALIFORNIA, N.A.
April 26, 2006

RESOLVED that the following officers of the Bank shall have the additional title of Assistant Secretary and shall perform such duties as the Corporate Secretary of the Bank shall designate:

Corporate Trust
Andrew R. Ball
Alison T. Braunstein
Vicki J. Elnick
Ralph Renninghoff
Douglas J. Schlafer

NY Trust Office
Charles Ryan
Valerie Dunbar

I certify that the foregoing is an excerpt of the resolution adopted by the Board of Directors of Union Bank of California, National Association at the Regular Meeting of said Board held on April 26, 2006.

I further certify that the foregoing excerpt of the resolution now stands on the records of the books of the Bank and has not been modified, repealed or set aside in any manner whatsoever and is now in full force and effect.

Dated: April 26, 2006 /s/ John H. McGuckin, Jr., Secretary

Union Bank of California, N.A.
April 26, 2000

# TRUST SERVICES RESOLUTION OF AUTHORITY

**WHEREAS**, the Bank is duly authorized and empowered to act as trustee, executor, personal representative, administrator, guardian or conservator of estates, assignee, receiver, custodian, escrow agent, agent or in any other fiduciary capacity permitted by law (hereinafter referred to collectively as "Trust Services");

**WHEREAS**, it is the Board's intention to authorize and empower the officers/employees designated in this Resolution, in the Bank's name and on its behalf, at such times and under such circumstances and on such terms and conditions as such officers/employees may deem proper, under the Bank's seal, as necessary, to execute and deliver such documents and perform such acts as shall be necessary for the Bank to provide Trust Services; and

**WHEREAS**, it is the Board's further intention to authorize and empower the ISAM Executive Officer and the Wealth Management Executive Officer as designated by the President and Chief Executive Officer or his/her designee to designate in writing the identity of and the manner in which such officers/employees may execute and deliver such documents and perform such actions.

A. General Trust Services

**RESOLVED** that any employee designated in writing as a Class A signer by the ISAM Executive Officer or the Wealth Management Executive Officer is authorized and empowered as hereinabove set forth to sign, execute and deliver:

1. Any instruments or other documents by which the Bank agrees or declines to or resigns from performing Trust Services and to execute such further instruments and documents and to perform any other act necessary to implement such acceptance, declination or resignation;

2. Any instruments or other documents and to perform any other act necessary to discharge its duties and obligations in performing Trust Services, including, but not limited to:

   a. Proxies to vote corporation stock or shares standing in the name of the Bank, as Fiduciary, or to attend and vote at any meeting such stock or shares;

   b. Any instruments, documents or agreements relating to insurance affecting any property, business or security held by the Bank, in its performance of Trust Services;

   c. Petitions, accountings, reports and returns of sale, and all other pleadings, declarations and documents filed in probate or other court proceedings by the Bank, in its performance of Trust Services;

   d. Checks against Trust funds, drafts and official checks issued by this Bank, the amount of which does not exceed the signing authority limit of the signer(s);

e. Guaranties of signatures to various documents (other than assignments of stock certificates, bonds and others securities which are covered by separate authorization through the Securities Transfer Agents Medallion Program). No signer is authorized to guarantee the signer's own signature;

f. Documents necessary to purchase, endorse, transfer, sell, assign, pledge, encumber, hypothecate, lease, release, convey, deliver or request payment or reissue of any and all certificates for shares of stock of corporations, bonds, stock warrants and rights, deposit receipts for stocks and bonds, promissory notes, warrants for irrigation and reclamation districts, debentures, voting trust certificates, money market instruments, commercial paper, repurchase agreements and banker's acceptances, investment agreements, and any and all other documents or instruments representing or evidencing any equity or debt interest in corporations, governmental entities or in personal property, standing in the name of or owned or to be purchased by the Bank in its performance of Trust Services; and

g. Any other instruments, documents or agreements necessary to and connected with the provision of general Trust Services.

B. Trust Real Estate Activities

**RESOLVED** that, with regard to any interest in real property to which the Bank holds title in its performance of Trust Services, or which it manages in its performance of Trust Services, any employee designated in writing as a Class B signer by the Wealth Management Executive Officer is authorized and empowered as hereinabove set forth to sign, execute and deliver:

1. Grant deeds, mineral deeds, quit claim deeds, fiduciary's warranty deeds, statutory warranty deeds, fulfillment deeds, secured or unsecured notes upon the real property, leases or extensions, modifications or amendments thereof, construction contracts, property management agreements, or purchase sale agreements;

2. Requests to any trustee or trustees named in any deed of trust for a full or partial reconveyance of the property covered by such deed of trust;

3. Trust checks, escrow instructions, closing settlement statements, property management agreements, construction contracts, indemnification letters, petitions and depositions in legal actions, multiple listing agreements, excise tax affidavits, tax appeals, forfeiture documents, notices to vacate; and

4. Any other legal document or instrument not heretofore enumerated which is required in the management, as specified by each trust or agency agreement, of such real property.

C. Global Custody Activities

**RESOLVED** that any officer designated in writing as a Class C signer by the ISAM Executive Officer is authorized and empowered as hereinabove set forth:

1. To accept and transact foreign exchange contracts related to clients' account activities;

2. To sign any documents or instruments as may be required to conduct business with a sub-custodian bank or foreign tax authority;

3. To authorize electronic transmission of data and information; and

4. To sign, execute and deliver any other legal document or instrument not heretofore enumerated which is required in the conduct of global custody activities.

D. Trust Operations Activities

**RESOLVED** that any employee designated in writing as a Class D signer by the ISAM Executive Officer is authorized and empowered as hereinabove set forth to sign, execute and deliver:

1. Trust checks, certifications of balances or asset holding; and

2. Any other documents, instruments, or contracts as may be required to participate in any securities depository for securities held by the Bank, in its performance of Trust Services, and to provide cash management and accounting services to trust clients.

E. Trust Security Services Activities

**RESOLVED** that any officer designated in writing as a Class E signer by the ISAM Executive Officer is authorized and empowered as hereinabove set forth to sign, execute and deliver:

1. Documents necessary to purchase, endorse, transfer, sell, assign, pledge, encumber, hypothecate, lease, release, convey, deliver or request payment or reissue of any and all certificates for shares of stock of corporations, bonds, stock warrants and rights, deposit receipts for stocks and bonds, promissory notes, warrants for irrigation and reclamation districts, debentures, voting trust certificates, money market instruments, commercial paper, repurchase agreements and banker's acceptances, investment agreements, and any and all other documents or instruments representing or evidencing any equity or debt interest in corporations, governmental entities or in personal property, standing in the name of or owned or to be purchased by the Bank in its performance of Trust Services;

2. To sign certificates for securities deposited, interim certificates and other certificates for or on behalf of this Bank as depositary or agent; and

3. To sign, countersign, certify, register, authenticate and identify all bonds, notes, interim certificates, share certificates, certificates of stock, voting trust certificates, depository receipts, warrants, participation certification or similar instruments for or in respect of which the Bank may be acting as trustee, agent or custodian.

F. Mutual Fund Support Services and Activities

**RESOLVED** that any officer designated in writing as a Class F signer by the ISAM Executive Officer is authorized and empowered as hereinabove set forth to sign, execute and deliver:

1. Any instrument, trust, contract or other document by which the Bank agrees or declines to act or resigns as custodian, transfer agent, fund accountant or other service provider to registered or unregistered investment companies or other collective investment entities ("mutual fund support services");

2. Any instrument, or other document and to perform any other act necessary or desirable to comply with applicable law and regulation in the provision of mutual fund support services, including but not limited to:

   a. Any registration, application, filing, update, amendment or other document necessary to commence or continue operation of mutual fund support services permissible under applicable law and regulation; and

   b. Any regulatory filings, accountings, reports, mailings, exemptive applications, requests for advice or rulings required by or desirable under applicable law to be prepared in connection with the provision of mutual fund support services.

G. Tax Activities

**RESOLVED** that any officer designated in writing as a Class G signer by the Wealth Management Executive Officer is authorized and empowered as hereinabove set forth to sign, execute, and submit local, state and federal tax returns or other filings, applications, extensions, requests for rulings or reports by the Bank as may be necessary or desirable in its performance of Trust Services or as a sponsor of a common trust fund or collective investment fund.

H. Securities Transfer Agents Medallion Program ("STAMP")

**RESOLVED** that any officer designated in writing as a Class H signer by the ISAM Executive Officer or Wealth Management Executive Officer is authorized and empowered as hereinabove set forth to guarantee signatures on securities and stock or bond powers as a participant in the Securities Transfer Agents Medallion Program ("STAMP"), except that no signer is authorized to utilize this authority for signature or endorsement guarantees on other documents or to guarantee the signer's own signature.

I. Trade Order Entry Activities

**RESOLVED** that any officer designated in writing as a Class I signer by the ISAM Executive Officer or Wealth Management Executive Officer is authorized and empowered as herein above set forth to electronically enter security trades, to purchase or sell securities held in all types of accounts, using the SEI Trade Order Entry (TOE) system in its performance of Trust Services.

**FURTHER RESOLVED** that the ISAM Executive Officer and the Wealth Management Executive Officer empowered in this Resolution to designate employees and officers to carry out various activities on behalf of the Bank may delegate, in writing, his/her authority to so designate to a senior officer(s) with the ISAM or Wealth Management Divisions, as appropriate. Such

delegations of authority are to be filed with the Corporate Secretary and are to be reviewed as appropriate.

**FURTHER RESOLVED** that this Resolution of Authority shall be effective as of April 26, 2000 and that, effective as of that date, the Trust Signing Authority Resolution adopted by this Board on May 26, 1999 is hereby superseded.

I certify that the foregoing resolution was adopted by the Board of Directors of Union Bank of California, N.A. at the Regular Meeting of said Board held on April 26, 2000.

I further certify that the foregoing resolution now stands on the records of the books of the Bank and has not been modified, repealed or set aside in any manner whatsoever and is now in full force and effect.

Dated: _____



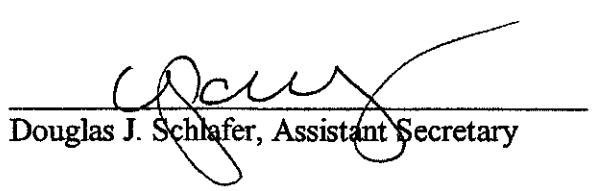
# CERTIFICATE OF INCUMBENCY

I, Douglas J. Schlafer, do hereby certify that I am the duly qualified and appointed Assistant Secretary of Union Bank of California, National Association.

I further certify that the following is true and correct specimen signature of said named employees and his signing authorities as designated by the Trust Executive Officer of Union Bank of California, N. A., and defined in the accompanying resolution.

| *NAME* | *TITLE* | *CLASS* | *SIGNATURE* |
|---|---|---|---|
| James Myers | Vice President | ADEHI |  |

IN WITNESS WHEREOF, I have set my hand of this Association this 12th day of July, 2007.



Douglas J. Schlafer, Assistant Secretary

BYLAWS
of
UNION BANK OF CALIFORNIA, NATIONAL ASSOCIATION
(Restated as of January 27, 1999)

ARTICLE I

Meetings of Shareholders

Section 1.1. Annual Meeting. The annual meeting of the shareholders shall be held each year on the date and at the time specified by the Board of Directors. At each annual meeting the shareholders shall elect directors and transact such other business as may properly be brought before the meeting.

Notice of such meeting shall be mailed, postage prepaid, at least ten days and no more than 60 days prior to the date thereof by first class mail addressed to each shareholder at his address appearing on the books of the Association; provided, however, that the shareholders may waive notice of the annual meeting.

If for any cause an election of directors is not made on said day, the board of directors shall order the election to be held on some subsequent day, as soon thereafter as practicable, according to the provisions of law; and notice thereof shall be given in the manner herein provided for the annual meeting.

Section 1.2. Special Meetings. Except as otherwise specifically provided by statute, special meetings of the shareholders of this Association may be called for any purpose at any time by the board of directors, the chairman of the board, the deputy chairman of the board, the president or by the majority shareholder of this Association. Every such special meeting unless otherwise provided by law shall be called by mailing, first-class postage prepaid, not less than ten days prior to the date fixed for such meeting to each shareholder at his address appearing on the books of this Association, a notice stating the purpose of the meeting, provided that said notice may be waived by a majority shareholder.

Section 1.3. Nomination for Director. Nominations for election to the board of directors may be made by the board of directors or by any shareholder of any outstanding capital stock of the Association entitled to vote for the election of directors.

Section 1.4. Proxies. Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy.

Section 1.5. Quorum. The presence in person or by proxy of persons entitled to vote a majority of the issued and outstanding stock of this Association shall constitute a quorum for the transaction of business at any annual or special meeting of the shareholders, unless otherwise

provided by law; but less than a quorum may adjourn any meeting from time to time and the meeting may be held as adjourned without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting unless otherwise provided by law of by the Articles of Association.

Section 1.6. Action by Shareholders. Except as provided by law, any action required to be taken at any annual or special meetings of the shareholders of this Association, or any action which may be taken at any annual or special meetings of the shareholders may be taken without a meeting and without a vote, if a consent in writing, setting forth the actions so taken, shall be signed by holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at the meeting at which all shareholders entitled to vote thereon were present and voted.

## ARTICLE II

## Directors

Section 2.1. Board of Directors. The board of directors (henceforth referred to as the board) shall have the power to manage and administer the business and affairs of the Association. Except as specifically limited by law, all corporate powers of the Association shall be vested in and may be exercised by said board.

Section 2.2. Number. The board shall consist of not less than five nor more than twenty-five individuals, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full board or by resolution of the shareholders at any meeting thereof; provided, however, that a majority of the full board may not increase the number of directors to a number which; (i) exceeds by more than two the number of directors last elected by shareholders where such number was fifteen or less; or (ii) to a number that exceeds by more than four the number of directors last elected by shareholders where such number was sixteen or more, but in no event shall the number of directors exceed twenty-five.

Section 2.3. Organizational Meeting. There shall be a meeting of the board immediately following the election of the board at the annual meeting of shareholders which meeting shall be held for the purpose of organization; no notice of such meeting need be given. If at the time fixed for such meeting there shall not be a quorum present, the directors present may adjourn the meeting from time to time until a quorum is obtained.

At such meeting, the board shall elect a chairman of the board, a president, a deputy chairman of the board and one or more vice chairmen of the board. The chairman shall preside at all directors' meetings and in his absence, the president and, then, in his absence, the deputy chairman and, in his absence, a vice chairman of the board shall preside at such meetings.

In the absence of the chairman of the board, the president, the deputy chairman and the vice chairmen of the board, the board may appoint a chairman pro-tempore.

Section 2.4. Place, Date and Time of Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such places within or without the State of California and on such dates and at such times as the Board may from time to time determine by resolution or written consent.

Section 2.5. Special Meetings. Special meetings of the board may be called by the chairman, the president, the deputy chairman or by a majority of the board, of which notice shall be given to each director personally by telephone or facsimile, electronic mail or other electronic means or by leaving a written or printed notice at, or by mailing such notice to, the Director's residence or place of business at least 24 hours before the time appointed for such meeting, provided that said notice may be waived by a written consent by all the directors entitled to vote at such meeting.

Section 2.6. Quorum. A majority of the board then in office shall constitute a quorum for the transaction of business at any meeting except when otherwise provided by law; but a less number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.

Section 2.7. Participation by Communications Equipment. Members of the Board may participate in a meeting through use of conference telephone, electronic video screen communication or other communications equipment, so long as all members participating in such meetings can communicate with all of the other members concurrently and are provided the means of participating in all matters before the Board, and the Association confirms that the person communicating by telephone, electronic video screen or other communications equipment is a director entitled to participate in the Board meeting and that all statements, actions and votes were made by such director. Such participation constitutes presence in person at such meeting.

Section 2.8. Action Without A Meeting. Any action required or permitted to be taken by the board may be taken without a meeting, if all members of the board eligible to vote shall individually or collectively consent to such action. The written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same effect as a unanimous vote of directors.

Section 2.9. Vacancies. The directors shall hold office for one year or until their successors are elected and have qualified. Any vacancies occurring in the membership of the board shall be filled by appointment for the unexpired term by the remaining members of the board, though less than a quorum, in accordance with the laws of the United States.

ARTICLE III

Committees of the Board

Section 3.1. Executive Committee. There shall be an executive committee composed of the chairman of the board, the president, the deputy chairman and not less than four (4) other directors who shall be appointed by the board to serve during its pleasure. Subject at all times to the control of the board, the committee shall have and may exercise all the powers of the board, except powers to amend the Articles of Association, to adopt an agreement of merger or consolidation, to recommend to the shareholders the sale, lease or exchange of all or substantially all of the Association's property and assets, to recommend to the shareholders a dissolution of the Association or a revocation of a dissolution, to amend the bylaws of the Association, to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger. The chairman of the committee may from time to time designate directors to act as alternate members of the committee in the place of any members absent from a meeting thereof. The committee shall meet at such times as it or the board may designate and shall make its own rules of procedure. A majority of its members shall constitute a quorum. The affirmative vote of the majority of its members shall be necessary for the adoption of any resolution. The committee shall keep minutes of its meetings and such minutes shall be submitted to the next regular meeting of the board at which a quorum is present, and any action taken by the board with respect thereto shall be entered into the minutes of the board.

Section 3.2. Other Committees. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees from time to time, each consisting of two or more directors to serve at the pleasure of the Board. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not the member or members present constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors shall have all the authority of the Board, except powers to amend the Articles of Association, to adopt an agreement of merger or consolidation, to recommend to the shareholders the sale, lease or exchange of all or substantially all of the Association's property and assets, to recommend to the shareholders a dissolution of the Association or a revocation of a dissolution, to amend the bylaws of the Association, to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger.

ARTICLE IV

Officers

Section 4.1. Officers. The officers of this Association shall be a chairman of the board, a president and chief executive officer, a deputy chairman, one or more vice chairmen of the board, a chief financial officer, a chief credit officer, a general auditor, a chief credit examiner, a chief compliance officer, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, one or more assistant vice presidents, a secretary, one or more assistant secretaries, one or more trust officers, one or more assistant trust officers, a manager and one or more assistant managers for each of the branches of this Association, and such other officers as may be required from time to time for the prompt and orderly transaction of its business, to be elected or appointed by the board; provided, however, that the board may assign by resolution the authority to appoint, define duties, reassign and dismiss such officers as it shall from time to time determine. Such officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the board or by other officers to whom such authority has been delegated and assigned.

Section 4.2. Certain Officers to be Directors. The chairman of the board, the president, the deputy chairman of the board and the vice chairmen of the board of the Association shall be members of the board.

Section 4.3. Chairman, President, Deputy Chairman and Vice Chairmen. The chairman of the board shall preside at all shareholders' meetings and all meetings of the board unless he delegates this duty to the President or Deputy Chairman. In the absence or disability of the chairman of the board, the following shall perform the duties and have the powers of the chairman of the board in the order set forth:

President and Chief Executive Officer

Deputy Chairman

Vice Chairmen in the order designated by the Board.

Section 4.4. President and Chief Executive Officer. The president shall have general and active management of the business of the Association, and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice, to the office of president or prescribed by these bylaws. The president shall be the chief executive officer.

Section 4.5. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Association and shall perform the duties imposed upon him by these Bylaws or the Board of Directors.

Section 4.6. Tenure. The chairman of the board, the president, the deputy chairman of the board and the vice chairmen of the board shall hold their offices for the current year for which the board, of which they are members, was elected and qualified, unless they shall resign,

become disqualified or be removed. Any vacancy occurring in any of such offices shall be filled by appointment by the remaining members of the board, though not a quorum. All other officers shall be elected to hold their offices respectively during the pleasure of the board; provided, however, that the board may assign by resolution the dismissing of such officers as it shall from time to time determine.

Section 4.7. Secretary. The secretary shall keep a record of all votes, meetings and proceedings of the board and of the shareholders and of all other matters required to be placed in the minute book, shall enter all bylaws and all amendments thereto and note all changes or repeals thereof in the book of bylaws, shall have charge of the corporate seal of this Association and affix the same to all certificates of stock and as directed by the board, and shall care for and preserve all papers, documents and books placed in his custody. The secretary shall have the power to take any action and execute any document required by law to be taken or executed by a cashier. Duplicates of the corporate seal of this Association shall be placed in the charge of such managers and assistant managers of branches of this Association as are designated by the Secretary; and any one of the managers or assistant managers so designated may affix the corporate seal to documents or papers requiring the same. The assistant secretaries shall have all the powers, and, in the absence of the secretary, duties of the secretary.

## ARTICLE V

## Emergency Provisions

Section 5.1. Emergency Defined. "Emergency" as used in this Article VI means disorder, disturbance or damage caused by disaster, war, enemy attack or other warlike acts which prevent conduct and management of the affairs and business of the Association by the Board of Directors and officers. The powers and duties conferred and imposed by this Article and any resolutions adopted pursuant hereto shall be effective only during an emergency. This Article may be implemented from time to time by resolutions adopted by the Board of Directors before or during an emergency, or during an emergency by the Executive Committee of the Board of Directors constituted and then acting pursuant thereto. During an emergency, the provisions of this Article and any implementing resolutions shall supercede any conflicting provision of any Article of these Bylaws or resolutions adopted pursuant thereto.

Section 5.2. Alternate Locations. During an emergency, the business ordinarily conducted at the principal executive office of the Association shall, if so permitted by applicable statutes or regulations, be relocated elsewhere in suitable quarters, , as may be designated by the board of directors or by the Executive Committee of the Board of Directors or by such persons as are then, in accordance with these bylaws or resolutions adopted from time to time by the board of directors, dealing with the exercise of authority in a time of such emergency,

conducting the affairs of this Association. Any temporarily relocated place of business of this Association shall be returned to its legally authorized location as soon as practicable and such temporary place of business shall then be discontinued.

Section 5.3. Alternate Management.

(a) In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs of business of this Association by its directors and officers as contemplated by these bylaws, any available members of the then incumbent Executive Committee of the Board shall constitute an Interim Executive Committee for the full conduct and management of the affairs and business of the Association..

(b) If as a result of a state of disaster as described under 5.3(a) above, the chief executive officer is unable or unavailable to act, then until such chief executive officer becomes able and available to act or a new chief executive officer is appointed or elected, the senior surviving officer who is able and available to act shall act as the chief executive officer of this Association. If a person in good faith assumes the powers of the chief executive officer pursuant to these provisions in the belief he is the senior surviving officer and the office of the chief executive officer is vacant, the acts of such a person shall be valid and binding although it may subsequently develop that he was not in fact the senior surviving officer or that the office was not in fact vacant.

(c) No officer, director or employee acting in accordance with these Emergency Provisions shall be liable except for willful misconduct.

## ARTICLE VI

## Certificates and Transfer of Stock

Section 6.1. Stock Certificates. Certificates of stock in the form adopted by the board shall be issued to the shareholders of this Association according to the number of shares belonging to each respectively. Such certificates shall be transferable by endorsement and delivery thereof, but the transfer shall not be complete and binding on this Association until recorded upon the books of the Association, or its transfer agent, if any.

All certificates of stock shall bear the corporate seal of this Association which may be in the form of a facsimile of such seal imprinted or otherwise reproduced thereon and shall be signed by the chairman of the board or the deputy chairman of the board and the secretary, or an assistant secretary, provided that such signatures upon the certificates may be but need not be facsimiles of the signatures of said officers imprinted or otherwise reproduced upon the certificates.

All certificates of stock which have been transferred as aforesaid shall be properly canceled and preserved.

Section 6.2. Transfer of Stock. No new certificate shall be issued in lieu of an old one unless the latter is surrendered and canceled at the same time. If, however, a certificate be lost or destroyed the board may order a new certificate issued upon such terms, conditions and guaranties as the board may see fit to impose.

Section 6.3. Fractional Shares. The Association shall not be obliged to issue any certificates of stock evidencing, either singly or with other shares, any fractional part of a share, or any undivided interests in shares, but it may do so if the board shall so resolve.

Section 6.4. Ownership. The person, firm or corporation in whose name shares of stock stand on the books of the Association, whether individually or as trustee, pledgee or otherwise, may be recognized and treated by the Association as the absolute owner of the shares, and the Association shall in no event be obligated to deal with or to recognize the rights or interests of other persons in such shares, or in any part thereof.

Section 6.5. Fixing Record Date. The board may by resolution fix a record date for determining the shareholders entitled to notice of and to vote at any meeting of shareholders, which date shall be in reasonable proximity to the date of giving notice to the shareholders of such meeting.

## ARTICLE VII

## Records

Section 7.1. The organization papers of this Association, the proceedings of all regular and special meetings of the board and of the shareholders and reports of the committees of directors shall be recorded in the minute book; and the minutes of each meeting shall be signed by the secretary and attested by the presiding officer.

Section 7.2. Books and records of account and minutes of the proceedings of the shareholders, Board and committees of the Board and a record of the shareholders, giving the names and address of all shareholders and the number of shares held by each, shall be kept at the Head Office or at the office of the Association's transfer agent and shall be open to inspection upon the written demand on the Association of any shareholder at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a shareholder.

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents or every kind and to inspect the physical properties of the Association and its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and make extracts.

## ARTICLE VIII

## Corporate Seal

Section 8.1. The Association shall have a corporate seal upon which shall be inscribed:

UNION BANK OF CALIFORNIA,
NATIONAL
ASSOCIATION
Incorporated 1864
San Francisco

ARTICLE IX

Bylaws

Section 9.1. Bylaw Amendments. These Bylaws may be amended, changed, or repealed by a majority of the directors acting at any meeting of the board regularly called and held.

ARTICLE X

Governance

Section 10.1. Governance. To the extent not inconsistent with applicable Federal banking statutes or regulations, or bank safety and soundness, this Association will follow the corporate governance procedures of the Delaware General Corporation Law, Del. Code Ann. tit.8 (1991, as amended 1994, and as amended thereafter).

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## TRUSTEE'S RECEIPT AND CERTIFICATE OF DEPOSIT

The undersigned hereby states and certifies:

(a) that the undersigned is an authorized officer of Union Bank of California, N.A., as trustee (the "Trustee") under that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Indenture"), each dated as of July 1, 2007, between the Richmond Community Redevelopment Agency (the "Agency) and the Trustee (collectively, the "Non-Housing Indenture"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), and as Trustee under that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust (the "Housing First Supplemental Indenture"), each dated as of July 1, 2007, between the Agency and the Trustee (collectively, the "Housing Indenture" and together with the Non-Housing Indenture, the "Indentures"), relating to the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds").

(b) that on the date hereof the Trustee did receive from RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as underwriter (the "Underwriter") of the Bonds, the aggregate amount of $64,349,500.00 from the proceeds of the sale of the Series 2007A Bonds. Said amount was represented by the Agency to be computed as follows:

| | |
|---|---|
| Series 2007A Bonds Principal Amount | $65,400,000.00 |
| Less Underwriter's Discount | (490,500.00) |
| Less Bond Insurance Premium | (477,000.00) |
| Less Surety Bond Premium | (83,000.00) |
| Net Purchase Price | $64,349,500.00 |

(c) that, pursuant to Section 5.01 of the First Supplemental Indenture, on the date hereof, from the proceeds of the Series 2007A Bonds, the Trustee deposited or transferred the following amounts in the following accounts:

(i) in the 2007 Series A Costs of Issuance Fund the amount of $495,000;

(ii) in the 2007 Series A Project Fund, the remaining balance of proceeds in the amount of $63,854,500; and

(iii) from the 2007 Series A Project Fund to the City of Richmond for deposit in the trust fund established for construction of the new civic center, the amount of $22,000,000.

(d) that on the date hereof the Trustee did receive from Underwriter the aggregate amount of $9,523,463.73 from the proceeds of the sale of the Series 2007B Bonds. Said amount was represented by the Agency to be computed as follows:

| | |
|---|---|
| Series 2007A Bonds Principal Amount | $9,772,621.50 |
| Less Underwriter's Discount | (122,157.77) |
| Less Bond Insurance Premium | (109,000.00) |
| Less Surety Bond Premium | (18,000.00) |
| Net Purchase Price | $9,523,463.73 |

(e) that, pursuant to Section 2.03 of the Housing First Supplemental Indenture, on the date hereof it deposited, or transferred for deposit, from the proceeds of the sale of the 2007 Series B Bonds the following amounts in the following accounts:

(i) in the 2007 Series B Costs of Issuance Fund the amount of $105,000; and

(ii) in the 2007 Series B Project Fund, the remaining balance of proceeds in the amount of $9,418,463.73.

(f) that the Trustee acknowledges receipt on this date of the insurance policies for the Series 2007A Bonds and the Series 2007B Bonds, respectively, and the debt service surety bonds for the Series 2007A Bonds and the Series 2007B Bonds, respectively, said insurance policies and debt service surety bonds all issued by MBIA Insurance Corporation.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indentures.

Dated: July 12, 2007

**UNION BANK OF CALIFORNIA, N.A., as Trustee**

By: _____
Authorized Officer

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS)**
**2007 SERIES A**

SPECIMEN

No. R-1A $65,400,000

| Interest Rate | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| Variable | July 12, 2007 | September 1, 2036 | 764424 BF3 |

Registered Owner: CEDE & CO.

Principal Amount: SIXTY-FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, on the Maturity Date specified above (unless this Bond shall have been previously called for redemption in whole or in part and payment of the Redemption Price shall have been duly made), the Principal Amount specified above, in lawful money of the United States of America and to pay interest thereon (but only from said the Subordinate Pledged Tax Revenues and other assets pledged therefor pursuant to the Indenture) in like lawful money until payment of such principal sum shall be discharged as provided in the Indenture, at the rates determined as described below, payable on each Interest Payment Date.

The principal or, if applicable, the Redemption Price hereof is payable upon surrender hereof at the designated corporate trust office of Union Bank of California, N.A. (together with any successor Trustee as provided in the Indenture the "Trustee"). Interest hereon is payable by check mailed on each Interest Payment Date to the Owner hereof as of the applicable Record Date at the address appearing on the Bond Register maintained by the Trustee; provided Owners of at least $1,000,000 aggregate principal amount of 2007 Series A Bonds may, at any time prior to a Record Date, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such 2007 Series A Bonds by wire transfer or by deposit to an account; and provide further that in the case of 2007 Series A Bonds bearing interest at Commercial Paper Rates (as hereinafter described), if the Trustee shall have been provided written wire transfer instructions, by wire transfer, provided that while the 2007 Series A Bonds bear interest at Commercial Paper Rates, except for 2007 Series A Bonds registered in the name of the Securities Depository (as defined in the Indenture mentioned below), interest payable hereon is payable only upon presentation hereof to the Trustee, at its Principal Office (hereinafter identified).

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)" (the "Bonds") and of a Series of the Bonds designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A" (the "2007 Series A Bonds"). The 2007 Series A Bonds are issued pursuant to the Law and the Redevelopment Plan. The 2007 Series A Bonds have been issued in the aggregate principal amount of $65,400,000. The 2007 Series A Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Subordinate Pledged Tax Revenues and other assets pledged therefor under, and entitled to the protection given by, the Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, as supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee (said Indenture of Trust, as supplemented and as the same may be amended and supplemented from time to time, is herein called the "Indenture").

As provided in the Indenture, Bonds of the Agency may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

Copies of the Indenture are on file with the Agency and at the Principal Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Agency, the Trustee and the Owners of the Bonds and the terms upon which the Bonds are secured under the Indenture, the rights and remedies of the Owners of the 2007 Series A Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued

PREVIEW

thereunder. The Indenture provides that other Parity Obligations secured by a pledge of the Subordinate Pledged Tax Revenues on a parity with the Bonds may be issued or incurred by the Agency on the terms set forth therein. By acceptance of this Bond, the Registered Owner accepts and agrees to the terms of the Indenture.

This Bond does not constitute a charge against the general credit of the Agency but is a limited obligation of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture. This Bond is not secured by a legal or equitable pledge of, or lien or charge upon, any property of the 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 therein. This Bond is not a debt of the City of Richmond, 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 this Bond constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in the Indenture). This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond or in respect of any undertakings by the Agency under the Indenture.

The 2007 Series A Bonds were issued for the purpose of providing a portion of the moneys to finance costs of the Project and related purposes.

Credit Provider Bonds

2007 Series A Bonds purchased or otherwise paid with funds made available under any Credit Support Instrument constitute Credit Provider Bonds for purposes of the Indenture. The terms of Credit Provider Bonds, including the interest rates thereon, the Interest Payment Dates therefor, the redemption, including mandatory redemption, thereof and certain other terms may be different from 2007 Series A Bonds which are not Credit Provider Bonds.

Interest on the 2007 Series A Bonds

The term of the 2007 Series A Bonds will be divided into consecutive Interest Rate Periods each of which will be one of the following: (i) a Daily Interest Rate Period during which the 2007 Series A Bonds will accrue at Daily Interest Rates; (ii) a Weekly Interest Rate Period during which interest on the 2007 Series A Bonds will bear interest at Weekly Interest Rates; (iii) a Long-Term Interest Rate Period, during which interest on the 2007 Series A Bonds will bear interest at a Long-Term Interest Rate; (iv) a Commercial Paper Interest Rate Period during which interest on the 2007 Series A Bonds will bear interest at Commercial Paper Interest Rates; (v) an Index Interest Rate Period, during which interest on the 2007 Series A Bonds will bear interest at a Index Interest Rate; or (vi) an ARB Interest Rate Period during which the 2007

SPECIMEN

Series A Bonds will bear interest at Auction Period Rates. The initial Interest Rate Period for the 2007 Series A Bonds shall be an ARB Interest Rate Period commencing on and including the Delivery Date. The Interest Rate Period for the 2007 Series A Bonds thereafter may be Converted from time to time to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period or an Index Interest Rate Period and thereafter again Converted as described in the Indenture.

Interest on each 2007 Series A Bond shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date from such Interest Accrual Date or if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date; provided, however, that if, as shown by the Bond Register, interest on the 2007 Series A Bonds shall be in default, interest on 2007 Series A Bonds issued in exchange for 2007 Series A Bonds surrendered for registration of transfer or exchange shall accrue from the Interest Accrual Date to which interest has been paid in full on the 2007 Series A Bonds or, if no interest has been paid on the 2007 Series A Bonds, from the Delivery Date.

For each Daily Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date prior to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For each Weekly Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For each Commercial Paper Interest Rate Period interest on each 2007 Series A Bond shall be payable on each Interest Payment Date for such 2007 Series A Bond for the period commencing on (and including) the immediately preceding Interest Accrual Date for such 2007 Series A Bond and ending on the day immediately preceding such Interest Payment Date. For each Long-Term Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. For each Index Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month to (but excluding) such Interest Payment Date. For each ARB Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each ARB Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the 2007 Series A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the 2007 Series A Bonds shall have been paid in full. In any event, interest on the 2007 Series A Bonds shall be payable

SPECIMEN

for the final Interest Rate Period but not including to the date on which the 2007 Series A Bonds shall have been paid in full.

Interest on the 2007 Series A Bonds shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, in the case of an ARB Interest Rate Period of less than 180 days, on the basis of a 360-day year and the number of days actually elapsed, in the case of an ARB Interest Rate Period equal to or more than 180 days, on the basis of a 360-day year of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365- or 366-day year, as the case may be, for the actual number of days elapsed.

The term "Interest Accrual Date" means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each March 1 and September 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

The term "Interest Payment Date" means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 or September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each 2007 Series A Bond in each Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

The term "Record Date" means (i) with respect to each Interest Payment Date for 2007 Series A Bonds in a Daily Interest Rate Period, the last day of the calendar month preceding the month in which such Interest Payment Date falls, (ii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Weekly Interest Rate Period, an Index Interest Rate Period or a Commercial Paper Interest Rate Period, the Business Day immediately preceding the such Interest Payment Date, (iii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Long-Term Interest Rate Period, the fifteenth day of the month preceding the month in which such Interest Payment Date falls, and (iv) with respect to each Interest Payment Date for 2007 Series A Bonds which are ARBs, the second Business Day next preceding the applicable ARB Interest Payment Date.

SPECIMEN

The interest rates on the 2007 Series A Bonds shall be determined as described below provided that no interest rate or any 2007 Series A Bond may exceed the Maximum Interest Rate:

(1) Daily Interest Rate. During each Daily Interest Rate Period, the 2007 Series A Bonds shall bear interest at Daily Interest Rates, which, except as otherwise provided in the Indenture, shall be determined by the Remarketing Agent by no later than 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding day if the Daily Interest Rate for such preceding day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the SIFMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided in the Indenture.

(2) Weekly Interest Rate. During each Weekly Interest Rate Period, the 2007 Series A Bonds shall bear interest at Weekly Interest Rates, which, except as otherwise provided in the Indenture, shall be determined for each Calendar Week by the Remarketing Agent by no later than 5:00 p.m., New York City time, on the Wednesday immediately preceding each Calendar Week, or if such day shall not be a Business Day, then by 12:00 noon, New York City time, on the next succeeding Business Day; provided, however, that if the 2007 Series A Bonds are to be Converted to a Weekly Interest Rate Period from another Interest Rate Period, the Weekly Interest Rate for the initial Calendar Week of such Weekly Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any Calendar Week, then the Weekly Interest Rate for such Calendar Week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding Calendar Week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding Calendar Week was not

SPECIMEN

determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such Calendar Week shall be equal to the Variable Index on the day such Weekly Interest Rate would otherwise be determined as provided in the Indenture.

The term "Calendar Week" means, with respect to the 2007 Series A Bonds in a Weekly Interest Rate Period, the period during which the 2007 Series A Bonds bear interest at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

(3) Long-Term Interest Rate. During each Long-Term Interest Rate Period, the 2007 Series A Bonds shall bear interest at the Long-Term Interest Rate determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Interest Rate Period. The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds at a price (without regarding accrued interest) equal to the principal amount thereof (or at a discount below or premium above par if Bond Counsel delivers a Favorable Opinion of Bond Counsel to the Trustee). If, for any reason, the Long-Term Interest Rate is not so determined for the Long-Term Interest Period by the Remarketing Agent on or prior to the first day of such Long-Term Interest Period, then a Weekly Interest Rate Period shall automatically commence on the proposed Conversion Date to the Long-Term Interest Rate Period and the 2007 Series A Bonds shall bear interest at Weekly Interest Rates and shall continue to bear interest at Weekly Interest Rates until such time as the Interest Rate Period for the 2007 Series A Bonds shall have been Converted to another Interest Rate Period as provided in the Indenture.

(4) Commercial Paper Term Rates. During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall bear interest during each Commercial Paper Term for such 2007 Series A Bond at the Commercial Paper Term Rate. The Commercial Paper Term and the Commercial Paper Term Rate need not be the same for all the 2007 Series A Bonds, even if determined on the same date. Each of such Commercial Paper Terms and Commercial Paper Term Rates for each 2007 Series A Bond shall be determined by the Remarketing Agent no later than the first day of each Commercial Paper Term. Each Commercial Paper Term shall be for a period of days within the range or ranges announced as possible Commercial Paper Terms no later than 9:30 a.m., New York City time, on the first day of each Commercial Paper Term by the Remarketing Agent. Each Commercial Paper Term for each 2007 Series A Bond shall be a period of not more than one hundred eighty (180) days, shall end not later than twenty

SPECIMEN

(20) Business Days prior to the Expiration Date of any Credit Support Instrument, shall be determined by the Remarketing Agent to be the period, except as provided in the Indenture with respect to a Conversion of the Interest Rate Period for the 2007 Series A Bonds, which, together with all other Commercial Paper Terms for all 2007 Series A Bonds then Outstanding, will result in the lowest overall interest expense on the 2007 Series A Bonds over the next succeeding one hundred eighty (180) days. If, for any reason, a Commercial Paper Term for any 2007 Series A Bond is not so determined by the Remarketing Agent, or if the determination of such Commercial Paper Term is held by a court of law to be invalid or unenforceable, then such Commercial Paper Term shall be thirty (30) days, but if the last day so determined shall not be a day immediately preceding a Business Day, shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, shall end on the day immediately preceding the Maturity Date.

The Commercial Paper Term Rate for each Commercial Paper Term for each 2007 Series A Bond during a Commercial Paper Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2007 Series A Bond, would enable the Remarketing Agent to sell such 2007 Series A Bond on the effective date of such rate at a price equal to the principal amount thereof. If, for any reason, a Commercial Paper Term Rate for any 2007 Series A Bond is not so established by the Remarketing Agent for any Commercial Paper Term, or if such Commercial Paper Term Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Term Rate for such Commercial Paper Term shall be the rate per annum equal to the Variable Index on the first day of such Commercial Paper Term.

(5) Index Interest Rates. During each Index Interest Rate Period, the 2007 Series A Bonds shall bear interest at Index Interest Rates. The Index Interest Rate for the 2007 Series A Bonds for each Index Bond Calculation Period shall be calculated as the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period. Such rate shall be multiplied against the face amount of the Index Bonds to determine the interest payable on the Interest Payment Date following such Index Bond Calculation Period (but shall not exceed the Maximum Interest Rate).

"Index Bond Calculation Period" for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

"Index Bond Reset Date" means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

"Index Interest Rate" means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate

SPECIMEN

by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in the Indenture, but not to exceed the Maximum Interest Rate.

"MMD" means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Agency. The MMD as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Adjusted Rate" means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Initial Rate" means the applicable rate for each Index Bond as designated by the Agency at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

"MMD Maturity" means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to a Series of Index Bonds.

(6) Auction Period Rates. During each ARB Interest Rate Period, the 2007 Series A Bonds shall bear interest at rates determined by the periodic application of the Auction Procedures, as provided in the Indenture.

The Trustee shall give notice to the Owners of the 2007 Series A Bonds by first class mail of a Conversion in the Interest Rate Period prior to the effective date of such Interest Rate Period as provided in the Indenture.

Tender of 2007 Series A Bonds for Purchase at Option of Owner. During each Daily Interest Rate Period, the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interests in such 2007 Series A Bond), or a portion thereof as described below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, or telephone notice promptly confirmed in writing, which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase. The Purchase Date for any 2007 Series A Bond (or portion thereof) in a Daily Interest Rate Period for which the Owner (or Beneficial Owner, as applicable) has given such notice of tender for purchase shall be the date of delivery of such notice to the Tender Agent or such later Business

SPECIMEN

Day as shall be specified in such notice. Any such notice of tender for purchase delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a 2007 Series A Bond, both the portion of the 2007 Series A Bond being tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

During each Weekly Interest Rate Period the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interest in such 2007 Series A Bond), or a portion thereof as described below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a Bond, both the portion of the 2007 Series A Bond tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

The giving of notice by an Owner or Beneficial Owner of a 2007 Series A Bond to have such 2007 Series A Bond purchased shall constitute the irrevocable tender for purchase of such 2007 Series A Bond, regardless of whether Proper Delivery of such 2007 Series A Bond is made to the Tender Agent on the applicable Purchase Date.

Mandatory Tender Following Commercial Paper Term. During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond, unless such day is the first day of a new Interest Rate Period for such 2007 Series A Bond (in which event such 2007 Series A Bond shall be subject to mandatory tender for purchase as described below).

Mandatory Tender on First Day of Interest Rate Period. The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the first day of each Interest Rate Period (other than upon the Conversion from a Daily Interest Rate Period to a Weekly Interest Rate Period or the Conversion from a Weekly Interest Rate Period to a Daily Interest Rate Period) and (except for any Conversion from an ARB Interest Rate Period), on the proposed Conversion Date specified in the notice of the Conversion to an alternate Interest Rate Period given to the Owners.

Mandatory Tender Upon Termination or Expiration of Credit Support Instrument. The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price: (a) on a Business Day which is not less than five (5) days prior to termination of any Credit Support Instrument then in effect with respect to the 2007 Series A Bonds upon the delivery of an Alternate Credit Support Instrument; (b) on the fifth Business Day following the Trustee's receipt of a Notice of Mandatory Tender; or (c) on a Business Day which is not less

PRELIMINARY

than five (5) days prior to the Expiration Date of the Credit Support Instrument then in effect with respect to the 2007 Series A Bonds.

Notice of Mandatory Tender. Notice of each mandatory tender of the 2007 Series A Bonds for purchase (other than following each Commercial Paper Term as to which no notice will be given) shall be given as provided in the Indenture.

Purchase Price.

The term "Purchase Price" means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price which would have been applicable to the redemption of such Tendered Bond on such Purchase Date if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

Sources of Payment of Purchase Price.

The Purchase Price of 2007 Series A Bonds payable upon optional or mandatory tender for purchase is payable solely from the proceeds of the remarketing of such 2007 Series A Bonds and amounts provided pursuant to a Credit Support Instrument for the 2007 Series A Bonds. The Agency has no obligation to provide any funds for the payment of such Purchase Price.

Purchase Price Payable Only on Proper Delivery.

The Purchase Price of any Tendered Bond purchased pursuant to the Indenture shall be payable only upon Proper Delivery of such Tendered Bond to the Tender Agent. If Proper Delivery of any Tendered Bond is made by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Indenture) in immediately available funds on the date such Proper Delivery is made and if such Proper Delivery is made after 10:00 a.m., New York City time, on such Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Indenture) in immediately available funds on the Business Day immediately succeeding such date of Proper Delivery.

The term "Proper Delivery" means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New

SPECIMEN

York City time, on the applicable Purchase Date or any Business Day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Undelivered Bonds. The Tender Agent may refuse to accept delivery of any Tendered Bond as to which Proper Delivery has not been made; such refusal, however, shall not affect the validity of the purchase of such Tendered Bond either upon the remarketing thereof as herein provided or upon the purchase of such Tendered Bond from a draw on any Credit Support Instrument. For all purposes of the Indenture, the Tender Agent shall determine whether there has been Proper Delivery of Tendered Bonds. Such determination shall be binding on the Owners of the 2007 Series A Bonds, the Agency and the Remarketing Agent, absent manifest error. If the Owner or Beneficial Owner of a 2007 Series A Bond who has given notice of optional tender for purchase, or any Owner of a 2007 Series A Bond subject to mandatory tender for purchase, fails to make Proper Delivery of such 2007 Series A Bond to the Tender Agent by 10:00 a.m. New York City time on the applicable Purchase Date and if moneys equal to the Purchase Price of all 2007 Series A Bonds to be purchased on such Purchase Date in accordance with the Indenture shall be available to the Tender Agent for the payment thereof, such Tendered Bond shall constitute an Undelivered Bond. From and after the applicable Purchase Date, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (2) interest shall no longer accrue with respect to such Undelivered Bond; (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent in the Bond Purchase Fund for the benefit of the Owner of such Undelivered Bond, to be paid when Proper Delivery of such Undelivered Bond is made to the Tender Agent; and (4) the Owner of such Undelivered Bond shall have no rights with respect to such Undelivered Bond except to receive the Purchase Price thereof from the funds held by the Tender Agent in the Bond Purchase Fund for such purpose and only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent.

The above-described provisions for the optional and mandatory tender of the 2007 Series A Bonds for purchase shall not apply at any time this Bond is a Pledged 2007 Series A Bond or this Bond is owned by, for the account of, or on behalf of, the Agency.

BY ACCEPTANCE OF THIS BOND, EACH OWNER IRREVOCABLY AGREES THAT, IF THIS BOND IS TO BE PURCHASED ON ANY DATE AND SUFFICIENT FUNDS ARE ON DEPOSIT WITH THE TENDER AGENT FOR ALL PURCHASES TO BE MADE ON SUCH DATE AS AFORESAID, THIS BOND SHALL BE DEEMED TO HAVE BEEN PURCHASED FOR ALL PURPOSES UNDER THE INDENTURE AND, THEREAFTER, THE OWNER SHALL HAVE NO FURTHER RIGHTS HEREUNDER OR UNDER THE INDENTURE WITH RESPECT TO THIS BOND, EXCEPT TO RECEIVE THE PURCHASE PRICE FOR THIS BOND FROM THE FUNDS SO DEPOSITED UPON PROPER DELIVERY HEREOF AS AFORESAID.

SPECIMEN

The Purchase Price of any 2007 Series A Bonds payable upon optional or mandatory tender is payable solely from the proceeds of the remarketing of such 2007 Series A Bonds and amounts provided pursuant to a Credit Support Instrument for the 2007 Series A Bonds. The Agency has no obligation to provide any funds for the payment of such Purchase Price.

Optional Redemption. While any Daily Interest Rate Period, Weekly Interest Rate Period or Index Interest Rate Period is in effect the 2007 Series A Bonds are subject to redemption, at the option of the Agency, in whole or in part, (in such amounts as may be specified by the Agency), on any date at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. While any Commercial Paper Rate Commercial Paper Interest Rate Period is in effect, the 2007 Series A Bonds are also subject to optional redemption by the Agency, in whole or in part (in such amounts as may be specified by the Agency), on the day succeeding the last day of each Commercial Paper Term at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. While any Long-Term Interest Rate Period is in effect, the 2007 Series A Bonds are subject to redemption at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to the principal amount of such 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium, and thereafter, during the periods specified below (or, if approved by a Favorable Opinion of Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the Agency to the Trustee), in whole or in part (in such amounts as may be specified by the Agency), on any date, at the Redemption Prices (expressed as a percentage of principal amount of the 2007 Series A Bonds to be redeemed) hereinafter indicated (or specified in the notice of the Agency to the Trustee), plus unpaid accrued interest thereon, to the date fixed for redemption:

SPECIMEN

| Length of Long-Term Interest Rate Period (expressed in years) | Redemption Price |
|---|---|
| greater than 15 | after 10 years at 101% declining by 1% every year to 100% |
| less than or equal to 15 and greater than 10 | after 7 years at 101% declining by 1% every year to 100% |
| less than or equal to 10 and greater than 7 | after 5 years at 101% declining by 1% every year to 100% |
| less than or equal to 7 and greater than 4 | after 3 years at 101% declining by 1% every year to 100% |
| less than or equal to 4 | after 2 years at 100% |

Optional Redemption During ARB Interest Rate Period. While any ARB Interest Rate Period is in effect, the 2007 Series A Bonds are subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on any ARB Interest Payment Date at a Redemption Price equal to the principal amount of 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

After any partial redemption, there shall not be less than $10,000,000 in aggregate principal amount of 2007 Series A Bonds outstanding unless otherwise consented to by the Broker-Dealer.

If any 2007 Series A Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the issuer shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such ARBs to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such ARBs immediately following such Auction settlement, and (3) the Securities Depository Redemption

SPECIMEN

Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

Mandatory Redemption. The 2007 Series A Bonds are subject to mandatory redemption, in part, on any September 1 on and after September 1, 2008, at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium, from the Sinking Fund Installments established for the 2007 Series A Bonds in the Indenture. Notwithstanding the foregoing, when any 2007 Series A Bond to be redeemed pursuant to the preceding sentence is subject to an ARB Interest Rate Period, if such September 1 is not an ARB Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARB Interest Payment Date immediately preceding such September 1.

Terms of Redemption. If less than all of the 2007 Series A Bonds are to be redeemed, the particular 2007 Series A Bonds to be redeemed shall be selected as provided in the Indenture.

The 2007 Series A Bonds are payable upon redemption upon surrender thereof at the Principal Office of the Trustee. The Trustee shall give notice, in the name of the Agency, of the redemption of 2007 Series A Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Redemption Date to the Owners of any 2007 Series A Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice shall specify the Series and maturity of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the 2007 Series A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such 2007 Series A Bonds so to be redeemed, and, in the case of 2007 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such redemption date there shall become due and payable upon each 2007 Series A Bond to be redeemed the Redemption Price thereof (or the Redemption Price of the specified portions of the principal amount thereof to be redeemed in the case of 2007 Series A Bonds to be redeemed in part only) and that from and after such date interest on such 2007 Series A Bond (or the portion of such 2007 Series A Bond to be redeemed) shall cease to accrue and be payable.

Receipt of such notice of redemption shall not be a condition precedent to the redemption of 2007 Series A Bonds and failure of any Owner of a 2007 Series A Bond to receive any such notice or any insubstantial defect in such notice shall not affect the validity of the proceedings for the redemption of 2007 Series A Bonds.

In the event that funds required to pay the Redemption Price of the 2007 Series A Bonds are not on deposit with the Trustee at the time the notice with respect to the redemption of 2007 Series A Bonds at the option of the Agency is given, such notice shall state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the 2007 Series A Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Agency shall not be required to redeem such 2007 Series A Bonds. In

SPECIMEN

the event a notice of redemption of 2007 Series A Bonds contains such a condition and such moneys are not so received, the redemption of 2007 Series A Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of 2007 Series A Bonds pursuant to the conditional notice of redemption.

If (i) any 2007 Series A Bonds are called for redemption while any ARB Interest Rate period is in effect, and (ii) such redemption is conditional upon receipt of funds by the Trustee, then such funds for redemption must be deposited with the Trustee no less than five (5) Business Days prior to the stated redemption date or notice thereof shall be rescinded (with such notice of rescission sent to the Auction Agent and any other recipient of the original redemption notice).

Amendment of Indenture. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Agency with, in certain cases, the written consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Bonds would be affected thereby, with such consent of the Owners of a majority in principal amount of the affected Outstanding Bonds; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of such consent. While the 2007 Series A Bonds are Tender Indebtedness, the consent of the Owners of such 2007 Series A Bonds shall not be required for any amendment to the Indenture upon giving such Owners notice of the amendment while such Owners may tender their 2007 Series A Bonds for purchase as provided in the Indenture. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The provisions of the First Supplemental Indenture relating to ARBs bearing interest at an Auction Period Rate may be amended as provided in the Indenture.

The Indenture may also be amended or supplemented without the necessity of the consent of the Owners of the 2007 Series A Bonds for any one or more of the purposes specified in the Indenture.

Transfer of Bond. This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the Principal Office of the Trustee, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this Bond together

SPECIMEN

with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Thereupon and upon payment of the charges prescribed in the Indenture a new registered 2007 Series A Bond or 2007 Series A Bonds, without coupons, and for the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture. The Agency, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

Enforcement of Bond and Indenture. The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law, including the Law and the Redevelopment Plan and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner and that the 2007 Series A Bonds, together with all other indebtedness of the Agency, comply in all respects with the applicable laws of the State of California, including the Law and the Redevelopment Plan.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

SPECIMEN

**IN WITNESS WHEREOF, RICHMOND COMMUNITY REDEVELOPMENT AGENCY** has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Vice Chair and attested by the manual or facsimile signature of its Clerk, as of the Dated Date specified above.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

ATTEST: _____ SPECIMEN
CLERK

BY: _____ SPECIMEN
VICE CHAIR

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2007 Series A Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

Union Bank of California, N.A.,
as Trustee

_____

BY: _____
AUTHORIZED SIGNATORY

## STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at Union Bank of California, N.A., San Francisco, California..

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to Union Bank of California, N.A. or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$65,400,000
Richmond Community Redevelopment Agency
(Richmond, California)
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank

SPECIMEN

Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA INSURANCE CORPORATION

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within Bond of the Richmond Community Redevelopment Agency and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____ _____

Notice: The Signature of this assignment and transfer must correspond with the name as written upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed by _____

Notice: Signature must be guaranteed by a member of the National Association of Securities Dealers, a commercial bank, a trust company or other eligible guarantor institution.

SPECIMEN

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-1B Maturity Value: $465,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.57% | July 12, 2007 | September 1, 2008 | 764424 AA5 |

Registered Owner: CEDE & CO.

SPECIMEN

Denominational Amount: FOUR HUNDRED THIRTY-SIX THOUSAND EIGHT HUNDRED SIXTY-TWO AND 85/100 DOLLARS

Maturity Value: FOUR HUNDRED SIXTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-2B Maturity Value: $535,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.62% | July 12, 2007 | September 1, 2009 | 764424 AB3 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED SEVENTY-FIVE THOUSAND TWO HUNDRED SIXTY-ONE AND 90/100 DOLLARS

Maturity Value: FIVE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-3B Maturity Value: $580,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.70% | July 12, 2007 | September 1, 2010 | 764424 AC1 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED EIGHTY-SIX THOUSAND TWO HUNDRED SEVENTY-TWO AND NO/100 DOLLARS

Maturity Value: FIVE HUNDRED EIGHTY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-4B Maturity Value: $625,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.72% | July 12, 2007 | September 1, 2011 | 764424 AD9 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED NINETY-FOUR THOUSAND NINE HUNDRED SIXTY-TWO AND 50/100 DOLLARS

Maturity Value: SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-5B Maturity Value: $675,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.79% | July 12, 2007 | September 1, 2012 | 764424 AE7 |

Registered Owner: CEDE & CO.

Denominational Amount: FIVE HUNDRED THREE THOUSAND FOUR HUNDRED EIGHTY-TWO AND 80/100 DOLLARS

Maturity Value: SIX HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-6B Maturity Value: $725,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.87% | July 12, 2007 | September 1, 2013 | 764424 AF4 |

Registered Owner: CEDE & CO.

SPECIMEN

Denominational Amount: FIVE HUNDRED EIGHT THOUSAND THREE HUNDRED FORTY-ONE AND NO/100 DOLLARS

Maturity Value: SEVEN HUNDRED TWENTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-7B Maturity Value: $935,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 5.98% | July 12, 2007 | September 1, 2017 | 764424 AK3 |

Registered Owner: CEDE & CO.

Denominational Amount: FIVE HUNDRED FOURTEEN THOUSAND FIVE HUNDRED FORTY-NINE AND 20/100 DOLLARS

Maturity Value: NINE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-8B Maturity Value: $990,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.03% | July 12, 2007 | September 1, 2018 | 764424 AL1 |

Registered Owner: CEDE & CO.

Denominational Amount: FIVE HUNDRED TEN THOUSAND EIGHT HUNDRED SIXTY-NINE AND 70/100 DOLLARS

Maturity Value: NINE HUNDRED NINETY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-9B Maturity Value: $1,040,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.05% | July 12, 2007 | September 1, 2019 | 764424 AM9 |

Registered Owner: CEDE & CO.

Denominational Amount: FIVE HUNDRED FOUR THOUSAND FIVE HUNDRED TWENTY-FOUR AND 80/100 DOLLARS

SPECIMEN

Maturity Value: ONE MILLION FORTY THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-10B Maturity Value: $1,415,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.09% | July 12, 2007 | September 1, 2020 | 764424 AN7 |

Registered Owner: CEDE & CO.

Denominational Amount: SIX HUNDRED FORTY-THREE THOUSAND FOUR HUNDRED FORTY-TWO AND 95/100 DOLLARS

Maturity Value: ONE MILLION FOUR HUNDRED FIFTEEN THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-11B Maturity Value: $1,030,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.13% | July 12, 2007 | September 1, 2021 | 764424 AP2 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED THIRTY-EIGHT THOUSAND SIX HUNDRED SEVENTY-SEVEN AND NO/100 DOLLARS

Maturity Value: ONE MILLION THIRTY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-12B Maturity Value: $1,085,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.17% | July 12, 2007 | September 1, 2022 | 764424 AQ0 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED THIRTY-TWO THOUSAND FOUR HUNDRED EIGHTY-ONE AND NO/100 DOLLARS

Maturity Value: ONE MILLION EIGHTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-13B Maturity Value: $1,145,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.20% | July 12, 2007 | September 1, 2023 | 764424 AR8 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED TWENTY-SEVEN THOUSAND FOUR HUNDRED SEVENTY-FOUR AND 30/100 DOLLARS

SPECIMEN

Maturity Value: ONE MILLION ONE HUNDRED FORTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-14B Maturity Value: $1,175,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.20% | July 12, 2007 | September 1, 2024 | 764424 AS6 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED TWELVE THOUSAND SIX HUNDRED NINETY-FIVE AND 25/100 DOLLARS

SPECIMEN

Maturity Value: ONE MILLION ONE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-15B Maturity Value: $1,230,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.21% | July 12, 2007 | September 1, 2025 | 764424 AT4 |

Registered Owner: CEDE & CO.

Denominational Amount: FOUR HUNDRED FIVE THOUSAND SEVEN HUNDRED THREE AND 20/100 DOLLARS

SPECIMEN

Maturity Value: ONE MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-16B Maturity Value: $1,285,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.22% | July 12, 2007 | September 1, 2026 | 764424 AU1 |

Registered Owner: CEDE & CO.

Denominational Amount: THREE HUNDRED NINETY-SEVEN THOUSAND NINE HUNDRED SIXTY-FOUR AND 50/100 DOLLARS

SPECIMEN

Maturity Value: ONE MILLION TWO HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-17B Maturity Value: $2,020,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.23% | July 12, 2007 | September 1, 2027 | 764424 AV9 |

Registered Owner: CEDE & CO.

Denominational Amount: FIVE HUNDRED EIGHTY-SEVEN THOUSAND TWO HUNDRED SEVENTY-FOUR AND 60/100 DOLLARS

Maturity Value: TWO MILLION TWENTY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-18B Maturity Value: $830,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.24% | July 12, 2007 | September 1, 2028 | 764424 AW7 |

Registered Owner: CEDE & CO.

Denominational Amount: TWO HUNDRED TWENTY-SIX THOUSAND FOUR HUNDRED EIGHTY-TWO AND 10/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-19B Maturity Value: $830,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.26% | July 12, 2007 | September 1, 2029 | 764424 AX5 |

Registered Owner: CEDE & CO.

Denominational Amount: TWO HUNDRED TWELVE THOUSAND SEVENTY-THREE AND 30/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-20B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.28% | July 12, 2007 | September 1, 2030 | 764424 AY3 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED NINETY-NINE THOUSAND SIX HUNDRED NINETY-EIGHT AND 00/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-21B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.30% | July 12, 2007 | September 1, 2031 | 764424 AZ0 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED EIGHTY-SEVEN THOUSAND EIGHT HUNDRED FORTY-SEVEN AND 95/100 DOLLARS

SPECIMEN

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-22B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.32% | July 12, 2007 | September 1, 2032 | 764424 BA4 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED SEVENTY-FOUR THOUSAND SEVEN HUNDRED FIFTY-SEVEN AND 15/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-23B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.34% | July 12, 2007 | September 1, 2033 | 764424 BB2 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED SIXTY-THREE THOUSAND THREE HUNDRED EIGHTY-FOUR AND 45/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-24B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.36% | July 12, 2007 | September 1, 2034 | 764424 BC0 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED FIFTY-TWO THOUSAND SIX HUNDRED EIGHTY-EIGHT AND 10/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-25B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.38% | July 12, 2007 | September 1, 2035 | 764424 BD8 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED FORTY-TWO THOUSAND SIX HUNDRED FORTY-THREE AND 05/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-26B Maturity Value: $835,000

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| 6.40% | July 12, 2007 | September 1, 2036 | 764424 BE6 |

Registered Owner: CEDE & CO.

Denominational Amount: ONE HUNDRED THIRTY-THREE THOUSAND TWO HUNDRED SEVENTY AND 55/100 DOLLARS

Maturity Value: EIGHT HUNDRED THIRTY-FIVE THOUSAND DOLLARS

SPECIMEN

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily

amounts on the basis of a 360-day year of twelve 30-day months, in like lawful money until payment of such Maturity Value shall be discharged as provided in the Indenture.

The Maturity Value hereof is payable upon surrender hereof at the designated corporate trust office of Union Bank of California, N.A., in San Francisco, California (together with any successor Trustee as provided in the Indenture, the "Trustee").

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Merged Project Areas)" (the "Bonds") and of a Series of the Bonds designated as "Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B" (the "2007 Series B Bonds"). The 2007 Series B Bonds are issued pursuant to the Law and the Redevelopment Plan. The 2007 Series B Bonds have been issued in the aggregate principal amount of $9,772,621.50. The 2007 Series B Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Subordinate Pledged Tax Revenues and other assets pledged therefor under, and entitled to the protection given by, the Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, and supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee (said Indenture of Trust, as the same may be amended and supplemented from time to time, is herein called the "Indenture").

SPECIMEN

As provided in the Indenture, Bonds of the Agency may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

Copies of the Indenture are on file with the Agency and at the Principal Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Agency, the Trustee and the Owners of the Bonds and the terms upon which the Bonds are secured under the Indenture, the rights and remedies of the Owners of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. The Indenture provides that other Parity Obligations secured by a pledge of the Subordinate Pledged Tax Revenues on a parity with the Bonds may be issued or incurred by the Agency on the terms set forth therein. By acceptance of this Bond, the Registered Owner accepts and agrees to the terms of the Indenture.

The term "Interest Date" means, with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

This Bond does not constitute a charge against the general credit of the Agency but is a limited obligation of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture. This Bond is not secured by a legal or equitable pledge of, or lien or charge upon, any property of the 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 therein. This Bond is not a debt of the City of Richmond, 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 this Bond constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in the Indenture). This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond or in respect of any undertakings by the Agency under the Indenture.

The 2007 Series B Bonds were issued for the purpose of providing a portion of the moneys to finance costs of the Project and related purposes.

SPECIMEN

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Agency with, in certain cases, the written consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Bonds would be affected thereby, with such consent of the Owners of a majority in principal amount of the affected Outstanding Bonds; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of such consent. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Owners of the Bonds for any one or more of the purposes Trustee specified in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the Principal Office of the Trustee, by the Registered Owner

hereof, or by his duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney. Thereupon and upon payment of the charges prescribed in the Indenture a new registered 2007 Series B Bond or 2007 Series B Bonds, without coupons, and for the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture. The Agency, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

SPECIMEN

It is hereby certified and recited that all conditions, acts and things required by law, including the Law and the Redevelopment Plan, and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner and that the 2007 Series B Bonds, together with all other indebtedness of the Agency, comply in all respects with the applicable laws of the State of California, including the Law and the Redevelopment Plan.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, RICHMOND COMMUNITY REDEVELOPMENT AGENCY** has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Vice Chair and attested by the manual or facsimile signature of its Clerk, as of the Dated Date specified above.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

ATTEST: SPECIMEN
CLERK

BY: SPECIMEN
VICE CHAIR

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2007 Series B Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication: _____

UNION BANK OF CALIFORNIA, N.A., as Trustee

SPECIMEN

BY: _____
AUTHORIZED SIGNATORY

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at Union Bank of California, N.A., San Francisco, California.

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to Union Bank of California, N.A. or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

SPECIMEN

$9,770,621.50
Richmond Community Redevelopment Agency
(Richmond, California)
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas) (Taxable) 2007 Series B

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank

Trust National Association shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

SPECIMEN

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA INSURANCE CORPORATION

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within Bond of the Richmond Community Redevelopment Agency and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

_____

Notice: The Signature of this assignment and transfer must correspond with the name as written upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed by

_____

Notice: Signature must be guaranteed by a member of the National Association of Securities Dealers, a commercial bank, a trust company or other eligible guarantor institution.

SPECIMEN
SPECIMEN

# TABLE OF ACCRETED VALUES

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 4,697.45 | 4,441.70 | 4,192.00 | 3,959.70 | 3,729.50 | 3,505.80 | 2,751.60 | 2,580.15 | 2,425.60 |
| 09/01/2007 | 4,732.71 | 4,475.34 | 4,224.19 | 3,990.21 | 3,758.59 | 3,533.52 | 2,773 76 | 2,601.10 | 2,445.36 |
| 03/01/2008 | 4,864.52 | 4,601 10 | 4,344.58 | 4,104.34 | 3,867.40 | 3,637.23 | 2,856.69 | 2,679.52 | 2,519.33 |
| 09/01/2008 | 5,000.00 | 4,730.40 | 4,468.40 | 4,221.72 | 3,979.36 | 3,743.99 | 2,942.11 | 2,760.31 | 2,595.54 |
| 03/01/2009 | | | | | | | | | |
| | - | 4,863.33 | 4,595.75 | 4,342.46 | 4,094.57 | 3,853.88 | 3,030.08 | 2,843.54 | 2,674.06 |
| 09/01/2009 | - | 5,000.00 | 4,726.73 | 4,466.66 | 4,213.11 | 3,966.99 | 3,120.68 | 2,929.27 | 2,754.95 |
| 03/01/2010 | - | - | 4,861.45 | 4,594.41 | 4,335.08 | 4,083.43 | 3,213.98 | 3,017.59 | 2,838.29 |
| 09/01/2010 | - | - | 5,000.00 | 4,725.81 | 4,458.59 | 4,203.28 | 3,310.08 | 3,108.57 | 2,924.15 |
| 03/01/2011 | - | - | - | 4,860.92 | 4,589.09 | 4,326.65 | 3,409.05 | 3,202.29 | 3,012.60 |
| 09/01/2011 | | | | | | | | | |
| | - | - | - | 5,000.00 | 4,722.60 | 4,453.65 | 3,510.99 | 3,298.84 | 3,103.74 |
| 03/01/2012 | - | - | - | - | 4,859.32 | 4,584.37 | 3,615.96 | 3,398.30 | 3,197.63 |
| 09/01/2012 | - | - | - | - | 5,000.00 | 4,718.92 | 3,724.08 | 3,500.76 | 3,294.36 |
| 03/01/2013 | - | - | - | - | - | 4,857.43 | 3,835.43 | 3,606.31 | 3,394.01 |
| 09/01/2013 | - | - | - | - | - | 5,000.00 | 3,950.11 | 3,715.04 | 3,496.68 |
| 03/01/2014 | | | | | | | | | |
| | - | - | - | - | - | - | 4,068.22 | 3,827.05 | 3,602.46 |
| 09/01/2014 | - | - | - | - | - | - | 4,189.86 | 3,942.44 | 3,711.44 |
| 03/01/2015 | - | - | - | - | - | - | 4,315.14 | 4,061.31 | 3,823.71 |
| 09/01/2015 | - | - | - | - | - | - | 4,444.16 | 4,183.76 | 3,939.38 |
| 03/01/2016 | - | - | - | - | - | - | 4,577.04 | 4,309.90 | 4,058.54 |
| 09/01/2016 | | | | | | | | | |
| | - | - | - | - | - | - | 4,713.89 | 4,439.84 | 4,181.32 |
| 03/01/2017 | - | - | - | - | - | - | 4,854.84 | 4,573.71 | 4,307.80 |
| 09/01/2017 | - | - | - | - | - | - | 5,000.00 | 4,711.60 | 4,438.12 |
| 03/01/2018 | - | - | - | - | - | - | - | 4,853.66 | 4,572.37 |
| 09/01/2018 | - | - | - | - | - | - | - | 5,000.00 | 4,710.69 |
| 03/01/2019 | - | - | - | - | - | - | - | - | 4,853.19 |

SPECIMEN

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 2,273 65 | 2,129.50 | 1,993 00 | 1,866.70 | 1,756.15 | 1,649.20 | 1,548.50 | 1,453.65 | 1,364.35 |
| 09/01/2007 | 2,292.29 | 2,147.07 | 2,009 55 | 1,882.28 | 1,770.81 | 1,662.99 | 1,561.46 | 1,465.84 | 1,375.81 |
| 03/01/2008 | 2,362 09 | 2,212.88 | 2,071.55 | 1,940.63 | 1,825.70 | 1,714.62 | 1,610.03 | 1,511.50 | 1,418.73 |
| 09/01/2008 | 2,434.02 | 2,280.71 | 2,135.46 | 2,000.79 | 1,882.30 | 1,767.86 | 1,660.10 | 1,558.59 | 1,463.00 |
| 03/01/2009 | 2,508.13 | 2,350.62 | 2,201.34 | 2,062.82 | 1,940.65 | 1,822.76 | 1,711.73 | 1,607.14 | 1,508.65 |
| 09/01/2009 | 2,584.51 | 2,422.66 | 2,269.25 | 2,126.77 | 2,000.81 | 1,879.35 | 1,764.96 | 1,657.20 | 1,555.72 |
| 03/01/2010 | 2,663.20 | 2,496.92 | 2,339.26 | 2,192.70 | 2,062.84 | 1,937.71 | 1,819.86 | 1,708.82 | 1,604.26 |
| 09/01/2010 | 2,744.30 | 2,573.45 | 2,411.42 | 2,260.67 | 2,126.79 | 1,997.88 | 1,876.45 | 1,762.05 | 1,654.31 |
| 03/01/2011 | 2,827.86 | 2,652.33 | 2,485.88 | 2,330.75 | 2,192.72 | 2,059.91 | 1,934.81 | 1,816.94 | 1,705.93 |
| 09/01/2011 | 2,913.97 | 2,733.63 | 2,562.51 | 2,403.01 | 2,260.69 | 2,123.87 | 1,994.99 | 1,873.54 | 1,759.15 |
| 03/01/2012 | 3,002 70 | 2,817.41 | 2,641.56 | 2,477.56 | 2,330.77 | 2,189.82 | 2,057.03 | 1,931.90 | 1,814.04 |
| 09/01/2012 | 3,094.13 | 2,903.77 | 2,723.05 | 2,554.31 | 2,403.03 | 2,257.82 | 2,121.01 | 1,992.08 | 1,870.64 |
| 03/01/2013 | 3,188.35 | 2,992.77 | 2,807.06 | 2,633.49 | 2,477.52 | 2,327.92 | 2,186.97 | 2,054.14 | 1,929.00 |
| 09/01/2013 | 3,285.44 | 3,084.50 | 2,893.66 | 2,715.13 | 2,554.33 | 2,400.21 | 2,254.99 | 2,118.12 | 1,989.19 |
| 03/01/2014 | 3,385.48 | 3,179.05 | 2,982.93 | 2,799.30 | 2,633.51 | 2,474.74 | 2,325.12 | 2,184.11 | 2,051.25 |
| 09/01/2014 | 3,488.57 | 3,276.49 | 3,074.96 | 2,886.08 | 2,715.15 | 2,551.58 | 2,397.43 | 2,252.14 | 2,115.25 |
| 03/01/2015 | 3,594.79 | 3,376.91 | 3,169.82 | 2,975.56 | 2,799.30 | 2,630.81 | 2,471.99 | 2,322.30 | 2,181.25 |
| 09/01/2015 | 3,704 25 | 3,480.42 | 3,267.61 | 3,067.80 | 2,886.10 | 2,712.50 | 2,548.87 | 2,394.64 | 2,249.30 |
| 03/01/2016 | 3,817.05 | 3,587.10 | 3,368.42 | 3,162.90 | 2,975.57 | 2,796.72 | 2,628.14 | 2,469.23 | 2,319.48 |
| 09/01/2016 | 3,933.28 | 3,697.04 | 3,472.34 | 3,260.96 | 3,067.82 | 2,883.56 | 2,709.88 | 2,546.15 | 2,391.85 |
| 03/01/2017 | 4,053 05 | 3,810.36 | 3,579.46 | 3,362.05 | 3,162.92 | 2,973.10 | 2,794.16 | 2,625.46 | 2,466.48 |
| 09/01/2017 | 4,176.46 | 3,927.15 | 3,689.89 | 3,466.27 | 3,260.97 | 3,065.42 | 2,881.06 | 2,707.25 | 2,543.44 |
| 03/01/2018 | 4,303.63 | 4,047.52 | 3,803.72 | 3,573.73 | 3,362.06 | 3,160.60 | 2,970.66 | 2,791.58 | 2,622.79 |
| 09/01/2018 | 4,434.68 | 4,171.58 | 3,921.07 | 3,684.52 | 3,466.29 | 3,258.74 | 3,063.05 | 2,878.54 | 2,704.63 |
| 03/01/2019 | 4,569.72 | 4,299.44 | 4,042.04 | 3,798.74 | 3,573.74 | 3,359.92 | 3,158.31 | 2,968.21 | 2,789.01 |

SPECIMEN

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 1,277 55 | 1,195.80 | 1,118.85 | 1,046.45 | 978.35 | 914.30 | 854.15 | 797.65 |
| 09/01/2007 | 1,288.31 | 1,205.91 | 1,128.34 | 1,055.35 | 986.70 | 922.13 | 861.48 | 804.52 |
| 03/01/2008 | 1,328 64 | 1,243.77 | 1,163.88 | 1,088.70 | 1,017.98 | 951.45 | 888.96 | 830.26 |
| 09/01/2008 | 1,370 23 | 1,282.83 | 1,200.54 | 1,123.10 | 1,050.25 | 981.71 | 917.32 | 856.83 |
| 03/01/2009 | 1,413 11 | 1,323.11 | 1,238.36 | 1,158.59 | 1,083.54 | 1,012.93 | 946.59 | 884.25 |
| 09/01/2009 | 1,457 35 | 1,364.66 | 1,277.37 | 1,195.21 | 1,117.89 | 1,045.14 | 976.78 | 912.55 |
| 03/01/2010 | 1,502.96 | 1,407.51 | 1,317.61 | 1,232.97 | 1,153.33 | 1,078.37 | 1,007.94 | 941.75 |
| 09/01/2010 | 1,550.00 | 1,451.70 | 1,359.11 | 1,271.94 | 1,189.89 | 1,112.67 | 1,040.10 | 971.89 |
| 03/01/2011 | 1,598.52 | 1,497.29 | 1,401.92 | 1,312.13 | 1,227.61 | 1,148.05 | 1,073.28 | 1,002.99 |
| 09/01/2011 | 1,648 55 | 1,544.30 | 1,446.08 | 1,353 59 | 1,266.52 | 1,184.56 | 1,107.52 | 1,035.08 |
| 03/01/2012 | 1,700 15 | 1,592.79 | 1,491.64 | 1,396.37 | 1,306.67 | 1,222.23 | 1,142.85 | 1,068.21 |
| 09/01/2012 | 1,753.37 | 1,642.81 | 1,538.62 | 1,440.49 | 1,348.09 | 1,261 10 | 1,179.30 | 1,102.39 |
| 03/01/2013 | 1,808.25 | 1,694.39 | 1,587.09 | 1,486.01 | 1,390.83 | 1,301.20 | 1,216.92 | 1,137.67 |
| 09/01/2013 | 1,864.85 | 1,747.60 | 1,637.10 | 1,534.14 | 1,434.92 | 1,342.58 | 1,255.75 | 1,174.07 |
| 03/01/2014 | 1,923 22 | 1,802.47 | 1,688.65 | 1,581.41 | 1,480.40 | 1,385.28 | 1,295.80 | 1,211.64 |
| 09/01/2014 | 1,983.42 | 1,859.07 | 1,741.85 | 1,631.39 | 1,527.33 | 1,429.33 | 1,337.14 | 1,250.42 |
| 03/01/2015 | 2,045 50 | 1,917.45 | 1,796.72 | 1,682.94 | 1,575.75 | 1,474.79 | 1,379.80 | 1,290.43 |
| 09/01/2015 | 2,109.53 | 1,977.66 | 1,853.31 | 1,736.12 | 1,625.70 | 1,521.68 | 1,423 81 | 1,331.73 |
| 03/01/2016 | 2,175.55 | 2,039.76 | 1,911.69 | 1,790.98 | 1,677.24 | 1,570.08 | 1,469.24 | 1,374.34 |
| 09/01/2016 | 2,243.65 | 2,103.80 | 1,971.91 | 1,847.58 | 1,730.41 | 1,620.01 | 1,516.10 | 1,418.32 |
| 03/01/2017 | 2,313.88 | 2,169.86 | 2,034.03 | 1,905.96 | 1,785.26 | 1,671.52 | 1,564.47 | 1,463.71 |
| 09/01/2017 | 2,386.30 | 2,238.00 | 2,098 10 | 1,966.19 | 1,841.86 | 1,724.68 | 1,614.38 | 1,510.55 |
| 03/01/2018 | 2,460 99 | 2,308.27 | 2,164.19 | 2,028.32 | 1,900.24 | 1,779.53 | 1,665.88 | 1,558.88 |
| 09/01/2018 | 2,538.02 | 2,380.75 | 2,232.37 | 2,092.42 | 1,960.48 | 1,836.12 | 1,719.02 | 1,608.77 |
| 03/01/2019 | 2,617.47 | 2,455.51 | 2,302.69 | 2,158.54 | 2,022.63 | 1,894.51 | 1,773.86 | 1,660.25 |

SPECIMEN

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | - | - | - | - | - | - | - | - | 5,000 00 |
| 03/01/2020 | - | - | - | - | - | - | - | - | - |
| 09/01/2020 | - | - | - | - | - | - | - | - | - |
| 03/01/2021 | - | - | - | - | - | - | - | - | - |
| 09/01/2021 | - | - | - | - | - | - | - | - | - |
| 03/01/2022 | - | - | - | - | - | - | - | - | - |
| 09/01/2022 | - | - | - | - | - | - | - | - | - |
| 03/01/2023 | - | - | - | - | - | - | - | - | - |
| 09/01/2023 | - | - | - | - | - | - | - | - | - |
| 03/01/2024 | - | - | - | - | - | - | - | - | - |
| 09/01/2024 | - | - | - | - | - | - | - | - | - |
| 03/01/2025 | - | - | - | - | - | - | - | - | - |
| 09/01/2025 | - | - | - | - | - | - | - | - | - |
| 03/01/2026 | - | - | - | - | - | - | - | - | - |
| 09/01/2026 | - | - | - | - | - | - | - | - | - |
| 03/01/2027 | - | - | - | - | - | - | - | - | - |
| 09/01/2027 | - | - | - | - | - | - | - | - | - |
| 03/01/2028 | - | - | - | - | - | - | - | - | - |
| 09/01/2028 | - | - | - | - | - | - | - | - | - |
| 03/01/2029 | - | - | - | - | - | - | - | - | - |
| 09/01/2029 | - | - | - | - | - | - | - | - | - |
| 03/01/2030 | - | - | - | - | - | - | - | - | - |
| 09/01/2030 | - | - | - | - | - | - | - | - | - |
| 03/01/2031 | - | - | - | - | - | - | - | - | - |
| 09/01/2031 | - | - | - | - | - | - | - | - | - |

SPECIMEN

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | 4,708.86 | 4,431.23 | 4,166.74 | 3,916.50 | 3,684 53 | 3,464.25 | 3,256.54 | 3,060.67 | 2,876.03 |
| 03/01/2020 | 4,852.25 | 4,567.05 | 4,295.28 | 4,037.92 | 3,798 75 | 3,571.82 | 3,357.82 | 3,156.01 | 2,965.76 |
| 09/01/2020 | 5,000.00 | 4,707.03 | 4,427.79 | 4,163.10 | 3,916.51 | 3,682.73 | 3,462.25 | 3,254.32 | 3,058.30 |
| 03/01/2021 | - | 4,851.30 | 4,564.39 | 4,292.15 | 4,037.93 | 3,797.08 | 3,569.92 | 3,355.70 | 3,153.72 |
| 09/01/2021 | - | 5,000.00 | 4,705.21 | 4,425.21 | 4,163.10 | 3,914.98 | 3,680.95 | 3,460.23 | 3,252.12 |
| 03/01/2022 | - | - | 4,850.36 | 4,562.40 | 4,292.16 | 4,036.54 | 3,795.43 | 3,568.02 | 3,353.58 |
| 09/01/2022 | - | - | 5,000.00 | 4,703.84 | 4,425.22 | 4,161.88 | 3,913.47 | 3,679.16 | 3,458.22 |
| 03/01/2023 | - | - | - | 4,849.66 | 4,562.40 | 4,291.11 | 4,035.18 | 3,793.77 | 3,566.12 |
| 09/01/2023 | - | - | - | 5,000.00 | 4,703.84 | 4,424.35 | 4,160.68 | 3,911.95 | 3,677.38 |
| 03/01/2024 | - | - | - | - | 4,849.66 | 4,561.73 | 4,290.08 | 4,033.81 | 3,792.12 |
| 09/01/2024 | - | - | - | - | 5,000.00 | 4,703.38 | 4,423.50 | 4,159.46 | 3,910.43 |
| 03/01/2025 | - | - | - | - | - | 4,849.42 | 4,561.07 | 4,289.03 | 4,032.44 |
| 09/01/2025 | - | - | - | - | - | 5,000.00 | 4,702.92 | 4,422.64 | 4,158.26 |
| 03/01/2026 | - | - | - | - | - | - | 4,849.19 | 4,560.41 | 4,288.00 |
| 09/01/2026 | - | - | - | - | - | - | 5,000.00 | 4,702.47 | 4,421.78 |
| 03/01/2027 | - | - | - | - | - | - | - | 4,848.95 | 4,559.75 |
| 09/01/2027 | - | - | - | - | - | - | - | 5,000.00 | 4,702.01 |
| 03/01/2028 | - | - | - | - | - | - | - | - | 4,848.72 |
| 09/01/2028 | - | - | - | - | - | - | - | - | 5,000.00 |
| 03/01/2029 | - | - | - | - | - | - | - | - | - |
| 09/01/2029 | - | - | - | - | - | - | - | - | - |
| 03/01/2030 | - | - | - | - | - | - | - | - | - |
| 09/01/2030 | - | - | - | - | - | - | - | - | - |
| 03/01/2031 | - | - | - | - | - | - | - | - | - |
| 09/01/2031 | - | - | - | - | - | - | - | - | - |

SPECIMEN

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | 2,699 39 | 2,532.62 | 2,375.22 | 2,226.75 | 2,086.75 | 1,954.75 | 1,830 44 | 1,713.38 |
| 03/01/2020 | 2,783.89 | 2,612.14 | 2,450.04 | 2,297.12 | 2,152.90 | 2,016.92 | 1,888.84 | 1,768.21 |
| 09/01/2020 | 2,871.02 | 2,694.16 | 2,527.22 | 2,369.71 | 2,221.15 | 2,081.06 | 1,949.09 | 1,824.79 |
| 03/01/2021 | 2,960 89 | 2,778.76 | 2,606.83 | 2,444.59 | 2,291.56 | 2,147.24 | 2,011.27 | 1,883.19 |
| 09/01/2021 | 3,053.56 | 2,866.01 | 2,688.94 | 2,521.84 | 2,364.20 | 2,215.52 | 2,075.43 | 1,943.45 |
| 03/01/2022 | 3,149.14 | 2,956.01 | 2,773.65 | 2,601.53 | 2,439.15 | 2,285.98 | 2,141.64 | 2,005.64 |
| 09/01/2022 | 3,247.71 | 3,048.83 | 2,861.02 | 2,683.74 | 2,516.47 | 2,358.67 | 2,209.96 | 2,069.82 |
| 03/01/2023 | 3,349 37 | 3,144.56 | 2,951.14 | 2,768.55 | 2,596.24 | 2,433.68 | 2,280.46 | 2,136.06 |
| 09/01/2023 | 3,454.20 | 3,243.30 | 3,044.10 | 2,856.04 | 2,678.54 | 2,511.07 | 2,353.21 | 2,204.41 |
| 03/01/2024 | 3,562.32 | 3,345.15 | 3,139.99 | 2,946.29 | 2,763.45 | 2,590.93 | 2,428.28 | 2,274.95 |
| 09/01/2024 | 3,673 82 | 3,450.18 | 3,238.91 | 3,039.39 | 2,851.05 | 2,673.32 | 2,505.74 | 2,347.75 |
| 03/01/2025 | 3,788 81 | 3,558.52 | 3,340.93 | 3,135.44 | 2,941.43 | 2,758.34 | 2,585.67 | 2,422.88 |
| 09/01/2025 | 3,907.41 | 3,670.26 | 3,446.17 | 3,234.52 | 3,034.68 | 2,846.05 | 2,668.16 | 2,500.42 |
| 03/01/2026 | 4,029.71 | 3,785.51 | 3,554.73 | 3,336.73 | 3,130.88 | 2,936.56 | 2,753.28 | 2,580.43 |
| 09/01/2026 | 4,155.84 | 3,904.38 | 3,666.70 | 3,442.17 | 3,230.13 | 3,029.95 | 2,841.11 | 2,663.01 |
| 03/01/2027 | 4,285.92 | 4,026.97 | 3,782.21 | 3,550.94 | 3,332.53 | 3,126.30 | 2,931.74 | 2,748.22 |
| 09/01/2027 | 4,420.07 | 4,153.42 | 3,901.35 | 3,663.16 | 3,438.17 | 3,225.72 | 3,025.26 | 2,836.17 |
| 03/01/2028 | 4,558.42 | 4,283.84 | 4,024.24 | 3,778.91 | 3,547.16 | 3,328.30 | 3,121.77 | 2,926.93 |
| 09/01/2028 | 4,701.10 | 4,418.36 | 4,151.01 | 3,898.33 | 3,659.60 | 3,434.15 | 3,221.36 | 3,020.59 |
| 03/01/2029 | 4,848.25 | 4,557.09 | 4,281.77 | 4,021.52 | 3,775.62 | 3,543.36 | 3,324.12 | 3,117.25 |
| 09/01/2029 | 5,000.00 | 4,700.19 | 4,416.64 | 4,148.60 | 3,895.30 | 3,656.04 | 3,430.16 | 3,217.00 |
| 03/01/2030 | - | 4,847 78 | 4,555.77 | 4,279.69 | 4,018.79 | 3,772.30 | 3,539.59 | 3,319.95 |
| 09/01/2030 | - | 5,000.00 | 4,699.28 | 4,414.93 | 4,146.18 | 3,892.27 | 3,652.51 | 3,426.19 |
| 03/01/2031 | - | - | 4,847.31 | 4,554.45 | 4,277.62 | 4,016.04 | 3,769.02 | 3,535.83 |
| 09/01/2031 | - | - | 5,000.00 | 4,698.37 | 4,413.22 | 4,143.76 | 3,889.26 | 3,648.98 |

SPECIMEN

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | - | - | - | - | - | - |
| 09/01/2032 | - | - | - | - | - | - | - | - | - |
| 03/01/2033 | - | - | - | - | - | - | - | - | - |
| 09/01/2033 | - | - | - | - | - | - | - | - | - |
| 03/01/2034 | - | - | - | - | - | - | - | - | - |
| 09/01/2034 | - | - | - | - | - | - | - | - | - |
| 03/01/2035 | - | - | - | - | - | - | - | - | - |
| 09/01/2035 | - | - | - | - | - | - | - | - | - |
| 03/01/2036 | - | - | - | - | - | - | - | - | - |
| 09/01/2036 | - | - | - | - | - | - | - | - | - |

SPECIMEN

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700953% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | - | - | - | - | - | - |
| 09/01/2032 | - | - | - | - | - | - | - | - | - |
| 03/01/2033 | - | - | - | - | - | - | - | - | - |
| 09/01/2033 | - | - | - | - | - | - | - | - | - |
| 03/01/2034 | - | - | - | - | - | - | - | - | - |
| 09/01/2034 | - | - | - | - | - | - | - | - | - |
| 03/01/2035 | - | - | - | - | - | - | - | - | - |
| 09/01/2035 | - | - | - | - | - | - | - | - | - |
| 03/01/2036 | - | - | - | - | - | - | - | - | - |
| 09/01/2036 | - | - | - | - | - | - | - | - | - |

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | 4,846.84 | 4,551.12 | 4,275.53 | 4,013.33 | 3,765.75 |
| 09/01/2032 | - | - | - | 5,000.00 | 4,695.36 | 4,411.50 | 4,141 36 | 3,886 25 |
| 03/01/2033 | - | - | - | - | 4,846.37 | 4,551.79 | 4,273.47 | 4,010.61 |
| 09/01/2033 | - | - | - | - | 5,000.00 | 4,696.54 | 4,409.79 | 4,138.95 |
| 03/01/2034 | - | - | - | - | - | 4,845.90 | 4,550.47 | 4,271.40 |
| 09/01/2034 | - | - | - | - | - | 5,000.00 | 4,695.63 | 4,408.09 |
| 03/01/2035 | - | - | - | - | - | - | 4,845.43 | 4,549.15 |
| 09/01/2035 | - | - | - | - | - | - | 5,000.00 | 4,694.73 |
| 03/01/2036 | - | - | - | - | - | - | - | 4,844.96 |
| 09/01/2036 | - | - | - | - | - | - | - | 5,000.00 |

SPECIMEN

STANDARD
&POOR'S

# PUBLIC FINANCE

# Richmond Community Redevelopment Agency, California


***Primary Credit Analysts:***
Paul Dyson
San Francisco
(1) 415-371-5079
paul_dyson@
standardandpoors com

***Secondary Credit Analysts:***
Ian Carroll
San Francisco
(1) 415-371-5060
ian_carroll@
standardandpoors com


| *Credit Profile* | | |
|---|---|---|
| US$68.05 mil subord Tax alloc bnds (Merged Proj Area) ser 2007A | | |
| ***Long Term Rating*** | A-/Stable | New |
| US$10.517 mil hsg Set-Aside subord Tax alloc bnds (Taxable) (Merged Proj Area) ser 2007B | | |
| ***Long Term Rating*** | A-/Stable | New |

## *Rationale*

Standard & Poor's Ratings Services assigned its 'A-' rating to Richmond Community Redevelopment Agency, Calif.'s $68 05 million tax-exempt auction rate series 2007A subordinate tax allocation bonds and $10.52 million series 2007B taxable housing set-aside subordinate tax allocation bonds, issued on behalf of the Merged Redevelopment Project Area (MRPA). At the same time, Standard & Poor's affirmed its 'A-' underlying rating (SPUR) on ***Richmond Joint Powers Financing Authority***, Calif.'s $15 million series 2004A taxable housing set-aside and nonhousing tax allocation revenue bonds and $2 million series 2004B tax-exempt housing set-aside tax allocation revenue bonds, also issued on behalf of Richmond Community Redevelopment Agency for the MRPA.

The rating reflects the following credit strengths:

- The large size and mostly residential (60%) nature of the MRPA, which also includes a diverse mix of industrial (21%) and commercial (7%) land use spread over a total of 5,338 acres, representing 28% of the city size;
- Very strong growth in project area assessed valuation (AV), increasing 113% to $3.2 billion in 2007 from $1.5 billion in 2004, an average annual growth rate of 29%—most recently


***RatingsDirect Publication Date***
May 30, 2007

growing 83% in 2007 due to the addition of Nevin Center project area 10B-2006to the MRPA;

- Significantly development underway and planned that is expected to add significant value to the tax base;
- Good coverage of maximum annual debt service (MADS) and annual parity debt service of 1.4x in fiscal 2007, with coverage of housing set-aside debt service also strong at 2.2x;
- Good legal provisions, including an additional bonds test (ABT) that requires tax increment revenues to cover MADS by 1.40x, using a historical test; and
- A convenient location adjacent to the deep and diverse Oakland and San Francisco local economies.

Somewhat offsetting credit weaknesses include:

- A moderate base year AV to total AV volatility ratio of 0.39 as of fiscal 2007 that has risen from 0.24 in 2006 due to the addition of the Nevin Center project area 10B-2006, reflecting moderate and heightened sensitivity in tax increment revenues due to fluctuations in overall AV;
- Moderate concentration in the tax base, with the 10 leading taxpayers representing 23% of incremental AV in 2007 (down from 28% in 2005); and
- A lien junior to a statutory pass-through agreement that includes step-up provisions, as well as outstanding debt service payments for the pre- and post-2004 limit project areas and senior Harbour Project Area debt service, although offset by the closed lien status of those existing loan agreements.

The series A bonds, issued in auction rate mode, will be swapped to fixed rate under a swap agreement with the Royal Bank of Canada. The agency has been assigned a DDP overall score of '1.5' on a four-point scale where '1' represents the lowest risk. The overall score of '1.5' reflects our view that the agency's general fund-related swap portfolio presents a very low credit risk at this time.

The bonds are secured by tax increment revenues collected within the MRPA, net of statutory pass-through agreement payments and the agency's 20% housing set-aside. The series 2007A and B and previously issued 2004A and B bonds are secured by a lien subordinate to outstanding debt issued in 1991 and 1998 related to the agency's Harbour Project Area, senior series 2000A pre-2000 limit area bonds, and senior series 2003 post-2004 limit area debt. However, all senior liens have been closed.

Securing payments on the 2007B housing set-aside bonds is the 20% housing set-aside revenues generated from the MRPA. The housing set-aside bonds have a lien junior to the agency's series 2000B housing set-aside bonds issued for the pre-2004 limit project area. However, the senior lien on those bonds has also been closed.

The bonds are being issued to contribute $12 million to the city to assist with financing a portion of the city's Civic Center project and to finance various redevelopment projects of the agency. The contribution is not considered a loan, but a one-time payment with no repayment provided, given both the city and the agency benefit from various project features. Legal provisions are good and include a historical ABT of 1.40x (after consideration of the senior Harbour Project Area lien that is closed) that applies to both housing and nonhousing bonds, along with a reserve fund for each series fully funded at the lesser of MADS, 10% of par, or 125% of average annual debt service.

The agency, created in 1949, was one of the first redevelopment agencies formed in the nation. The project area consists of 10 formerly independent redevelopment project areas totaling 5,338 acres within Richmond that were merged in 1999. As part of the merger process, territory was also added to various sub-project areas. As of 2007, land use of the project area (not including the recently added 10B-2006 parcel) is mixed, with residential uses accounting for 60% of AV and

industrial and commercial uses accounting for 21% and 7%, respectively. Project area AV continues to show strong growth, increasing to 113% to $3.2 billion in 2007 from $1.5 billion in 2004, an average annual growth rate of 29%. The addition of project area 10B-2006 to the MRPA led to 83% AV growth in 2007. Growth continues to be due to substantial new construction projects, investment activity, and numerous changes in ownership. However, the project area has a moderately high base year AV to total AV volatility ratio of 0.39, up from 0.24 in 2005 because of the addition of project area 10B-2006, reflecting moderate sensitivity in tax increment revenues due to fluctuations in overall AV.

The tax base is somewhat concentrated, with the 10 leading taxpayers representing 23% of incremental AV and 14% of total AV as of 2007. The leading taxpayer, Lennar Emerald Marina Shores, represents 8% of incremental AV on its own. No other taxpayer represents more than 3% of incremental AV. With an ABT of 1.40x, however, the project area is able to withstand the loss of all top 10 taxpayers and still maintain coverage of at least 1.0x.

Coverage of MADS on the nonhousing bonds and parity debt, net of senior closed-lien debt, is 1.42x as of fiscal 2007, with coverage on the housing set-aside bonds and parity debt of 2.19x. The agency plans to issue additional debt as tax base growth allows, while keeping in mind the ABT of 1.40x.

Significant development is underway and also planned for the MRPA. Some of the more significant projects include a 31,000-square-foot commercial center, an 86-acre parcel being considered for mixed uses, an additional 190,000-square-foot retail project anchored by Target, the Metro-Walk transit village project and station where BART and Amtrak will intersect, many significant affordable-housing projects, and the joint city-agency Civic Center Revitalization Project.

## *Outlook*

The stable outlook is supported by the project area's strong growth trends and our expectation that strong growth will continue given several pending projects and expected turnover of pre-prop 13 real estate, which should continue to lower the volatility ratio and somewhat alleviate concentration concerns. The stable outlook also reflects Richmond's participation in the greater San Francisco Bay Area economy.

## *Economy*

Richmond has a population of 103,468 and is located on the northeastern shore of the San Francisco Bay in Contra Costa County. Employment opportunities include the port and related transportation industries and Chevron's oil refinery, research, and chemical business. Residents also benefit from Richmond's proximity to the significant economies of Oakland, San Francisco, and other Bay Area locations.

## *Debt Derivative Profile*

The agency has been assigned a DDP overall score of '1.5' on a four-point scale where '1' represents the lowest risk. The overall score of '1.5' reflects our view that the agency's general fund-related swap portfolio reflects a very low credit risk at this time due to the following factors:

- A highly rated swap counterparty,

- A low degree of involuntary termination risk under the city's swaps due to a moderate ratings trigger spread,
- Adequate economic viability of the swap portfolio over stressful economic cycles, and
- Very strong management practices with formalized debt and swap management plans or policies.

In conjunction with the series A bonds, the agency is entering into a floating-to-fixed interest rate swap with a notional amount of $68.05 million, equal to the par amount of the series A bonds. The swap counterparty is the Royal Bank of Canada ('AA-/Stable'), and swap payment insurance is also expected. The swap scored very well on termination risk due to the minimal likelihood of involuntary termination because of a lowered rating on the agency over the long term.

The effective date of the swap is the expected delivery date of the series A bonds, with termination date of Sept. 1, 2036. On a pro forma basis, net variable-rate exposure is zero, and total outstanding agency debt will be $171 million after the bonds are issued.

| *Ratings Detail (As Of 30-May-2007)* | | |
|---|---|---|
| Richmond Commty Redev Agy hsg Set-Aside subord Tax alloc bnds (Taxable) (Merged Proj Area) ser 2007B | | |
| *Long Term Rating* | A-/Stable | New Rating |
| Richmond Commty Redev Agy subord Tax alloc bnds (Merged Proj Area) ser 2007A | | |
| *Long Term Rating* | A-/Stable | New Rating |
| Richmond Jt Pwrs Fin Auth tax alloc rev bnds (Taxable) (XL CAPITAL) | | |
| *Unenhanced Rating* | A-(SPUR)/Stable | Affirmed |
| Richmond Jt Pwrs Fin Auth tax alloc rev bnds (Tax-Exempt) (XL CAPITAL) | | |
| *Unenhanced Rating* | A-(SPUR)/Stable | Affirmed |

Many issues are enhanced by bond insurance.

Published by Standard & Poor s a Division of The McGraw Hill Companies Inc Executive offices 1221 Avenue of the Americas New York NY 10020 Editorial offices 55 Water Street New York NY 10041 Subscriber services (1) 212 438 7280 Copyright 2007 by The McGraw Hill Companies Inc Reproduction in whole or in part prohibited except by permission All rights reserved Information has been obtained by Standard & Poor s from sources believed to be reliable However because of the possibility of human or mechanical error by our sources Standard & Poor s or others Standard & Poor s does not guarantee the accuracy adequacy or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information Ratings are statements of opinion not statements of fact or recommendations to buy hold or sell any securities

Standard & Poor s uses billing and contact data collected from subscribers for billing and order fulfillment purposes and occasionally to inform subscribers about products or services from Standard & Poor s our parent The McGraw Hill Companies and reputable third parties that may be of interest to them All subscriber billing and contact data collected is stored in a secure database in the U S and access is limited to authorized persons If you would prefer not to have your information used as outlined in this notice if you wish to review your information for accuracy or for more information on our privacy practices please call us at (1) 212 438 7280 or write us at privacy@standardandpoors com For more information about The McGraw Hill Companies Privacy Policy please visit www mcgraw hill com/privacy html

Analytic services provided by Standard & Poor s Ratings Services ("Ratings Services ) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions Credit ratings issued by Ratings Services are solely statements of opinion and not statements of fact or recommendations to purchase hold or sell any securities or make any other investment decisions Accordingly any user of credit ratings issued by Ratings Services should not rely on any such ratings or other opinion issued by Ratings Services in making any investment decision Ratings are based on information received by Ratings Services Other divisions of Standard & Poor s may have information that is not available to Ratings Services Standard & Poor s has established policies and procedures to maintain the confidentiality of non public information received during the ratings process

Ratings Services receives compensation for its ratings Such compensation is normally paid either by the issuers of such securities or by the underwriters participating in the distribution thereof The fees generally vary from US$2 000 to over US$1 500 000 While Standard & Poor s reserves the right to disseminate the rating it receives no payment for doing so except for subscriptions to its publications

Permissions To reprint translate or quote Standard & Poor s publications contact Client Services 55 Water Street New York NY 10041 (1) 212 438 9823 or by e mail to research_request@standardandpoors com

The McGraw-Hill Companies

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## RECEIPT FOR BONDS

The undersigned hereby acknowledges receipt through The Depository Trust Company from Union Bank of California, N.A., as trustee (the "Trustee"), under that that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007, between the Richmond Community Redevelopment Agency (the "Agency) and the Trustee (collectively, the "Non-Housing Indenture"), relating to the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), and as Trustee under that certain Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007, between the Agency and the Trustee (collectively, the "Housing Indenture" and together with the Non-Housing Indenture, the "Indentures"), relating to the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds"). Said Bonds are all dated July 12, 2007. The Series 2007A Bonds are subject to mandatory redemption in the sinking fund amounts as set forth in the attached Schedule A. The Series 2007B Bonds are issued in the initial principal amounts and accrete to and mature on the dates and in the maturity values as set forth in the attached Schedule B.

The undersigned hereby acknowledges receipt of, or waives the requirement for, each document, certificate and opinion contemplated by the Bond Purchase Agreement, dated July 10, 2007, by and among RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the Underwriter"), Richmond Community Redevelopment Agency (the "Agency") and the Richmond Joint Powers Financing Authority (the "Authority), relating to the Series 2007A Bonds, and the Bond Purchase Agreement, dated June 28, 2007, by and among the Underwriter, the Agency

and the Authority, relating to the Series 2007B Bonds, and acknowledges that each such document, certificate and opinion, to the extent not waived, is satisfactory as to its form and substance.

Dated: July 12, 2007

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets.

By: _____

Title: Managing Director

## SCHEDULE A

### Series 2007A Bonds

### $65,400,000 3.990% Term Bond due September 1, 2036, Yield 3.990%

### Term Bond
### Sinking Fund Redemption

| Redemption Date (September 1) | Mandatory Sinking Fund Payment |
|---|---|
| 2008 | $ 1,125,000 |
| 2009 | 1,525,000 |
| 2010 | 1,600,000 |
| 2011 | 1,675,000 |
| 2012 | 1,750,000 |
| 2013 | 1,825,000 |
| 2014 | 1,900,000 |
| 2015 | 2,000,000 |
| 2016 | 2,100,000 |
| 2017 | 2,200,000 |
| 2018 | 2,275,000 |
| 2019 | 2,000,000 |
| 2020 | 4,275,000 |
| 2021 | 1,775,000 |
| 2022 | 1,850,000 |
| 2023 | 3,675,000 |
| 2024 | 2,100,000 |
| 2025 | 2,200,000 |
| 2026 | 2,275,000 |
| 2027 | 7,200,000 |
| 2028 | 1,675,000 |
| 2029 | 1,750,000 |
| 2030 | 1,850,000 |
| 2031 | 1,925,000 |
| 2032 | 2,000,000 |
| 2033 | 2,075,000 |
| 2034 | 2,175,000 |
| 2035 | 2,275,000 |
| 2036 | 2,350,000 |

## SCHEDULE B

### Series 2007B Bonds

## INITIAL PRINCIPAL AMOUNTS, MATURITY VALUES

| Maturity (September 1) | Initial Principal Amount | Maturity Value |
|---|---|---|
| 2008 | $436,862.85 | $465,000 |
| 2009 | 475,261.90 | 535,000 |
| 2010 | 486,272.00 | 580,000 |
| 2011 | 494,962.50 | 625,000 |
| 2012 | 503,482.50 | 675,000 |
| 2013 | 508,341.00 | 725,000 |
| 2017 | 514,549.20 | 935,000 |
| 2018 | 510,869.70 | 990,000 |
| 2019 | 504,524.80 | 1,040,000 |
| 2020 | 643,442.95 | 1,415,000 |
| 2021 | 438,677.00 | 1,030,000 |
| 2022 | 432,481.00 | 1,085,000 |
| 2023 | 427,474.30 | 1,145,000 |
| 2024 | 412,695.25 | 1,175,000 |
| 2025 | 405,703.20 | 1,230,000 |
| 2026 | 397,964.50 | 1,285,000 |
| 2027 | 587,274.60 | 2,020,000 |
| 2028 | 226,482.10 | 830,000 |
| 2029 | 212,073.30 | 830,000 |
| 2030 | 199,698.60 | 835,000 |
| 2031 | 186,847.95 | 835,000 |
| 2032 | 174,757.15 | 835,000 |
| 2033 | 163,384.45 | 835,000 |
| 2034 | 152,688.10 | 835,000 |
| 2035 | 142,643.05 | 835,000 |
| 2036 | 133,207.55 | 835,000 |
| TOTAL | $9,772,621.50 | $24,460,000 |

Execution Copy

# BROKER-DEALER AGREEMENT

Dated July 12, 2007

among

WELLS FARGO BANK, N.A.,
as Auction Agent

and

RBC CAPITAL MARKETS, INC.,
as Broker-Dealer

and

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

relating to

$65,400,000
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas) 2007 Series A

## TABLE OF CONTENTS


Page

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION ..... 1

1.1 Terms Defined by Reference to the Auction Procedures ..... 1

1.2 Additional Terms Defined Herein ..... 1

1.3 Rules of Construction ..... 2

SECTION 2. THE AUCTION ..... 3

2.1 Incorporation by Reference of Auction Procedures ..... 3

2.2 Preparation for Each Auction ..... 3

2.3 Securities Depository Participant Numbers ..... 3

2.4 Transfers ..... 4

2.5 Compensation ..... 4

2.6 Settlement ..... 5

SECTION 3. THE AUCTION AGENT ..... 6

3.1 Duties and Responsibilities of the Auction Agent ..... 6

3.2 Rights of the Auction Agent ..... 7

3.3 Auction Agent's Disclaimer ..... 7

SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION ..... 8

4.1 Furnishing of Information ..... 8

4.2 Supplements and Amendments to Official Statement ..... 8

4.3 Additional Information ..... 9

4.4 Indemnification and Contribution; ..... 9

SECTION 5. MISCELLANEOUS ..... 10

5.1 Termination ..... 10

5.2 Participant ..... 11

5.3 Communications ..... 11

5.4 Recording of Conversations. ..... 12

5.5 Entire Agreement ..... 12

5.6 Benefits; Successors and Assigns ..... 12

5.7 Amendment; Waiver ..... 12

5.8 Severability ..... 12

5.9 Execution in Counterparts ..... 13

5.10 Governing Law; Jurisdiction; Waiver of Trial by Jury ..... 13

5.11 No Implied Duties ..... 13

EXHIBIT A — Auction Procedures

BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated July 12, 2007, among (i) WELLS FARGO BANK, N.A. (the "Auction Agent"), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, pursuant to authority granted to the Auction Agent in the Auction Agreement, dated as of July 1, 2007 (the "Auction Agreement"), between Union Bank of California, N.A. (the "Trustee") and the Auction Agent; (ii) RBC CAPITAL MARKETS, INC. (a "BD"); and (iii) RICHMOND COMMUNITY REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (the "Agency").

WITNESSETH

WHEREAS, the Agency is issuing $65,400,000 aggregate principal amount of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A (the "Bonds"), maturing on September 1, 2036, pursuant to the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007 (together, the "Indenture"), between the Agency and the Trustee; and

WHEREAS, the interest rate on the Bonds will initially be set in accordance with the Auction Procedures; and

WHEREAS, Wells Fargo Bank, N.A. has been appointed as Auction Agent for purposes of the Auction Agreement, and pursuant to Section 2.1 of the Auction Agreement, the Agency has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, the BD and the Agency agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION.

1.1 *Terms Defined by Reference to the Auction Procedures.* Capitalized terms used herein shall have the respective meanings specified in the Auction Procedures,

1.2 *Additional Terms Defined Herein.* As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Procedures" shall mean the procedures for conducting Auctions for the Bonds during an ARS Rate Period as set forth in Exhibit A hereto.

(b) "Authorized Officers" shall mean each Senior Vice President, Vice President, Assistant Vice President and authorized representative of the Auction Agent assigned to the Auction Agent Services Group of its Corporate Trust Services Department and every other

officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(c) "BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

(d) "Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement, including Exhibit A hereto, and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

(e) "Broker-Dealer Fee" shall have the meaning set forth in Section 2.5(b) hereof.

(f) "Order Form" shall mean the form by which Orders are to be submitted by any Broker-Dealer on any Auction Date which shall be in a form acceptable to the Auction Agent and may be by Electronic Means or in writing.

1.3 *Rules of Construction.* Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Broker-Dealer Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section or subsection.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

(f) Any reference herein to Bonds shall be deemed to be a reference to each Series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each Series of Bonds.

SECTION 2. THE AUCTION.

2.1 *Incorporation by Reference of Auction Procedures.*

(a) The parties to this Broker-Dealer Agreement agree to comply with the Auction Procedures. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto. In addition if this Broker-Dealer Agreement takes effect following an ARS Conversion Date, BD agrees to set the Initial Rate at the lowest rate which will enable the Bonds to be resold on the ARS Conversion Date at par plus accrued interest, if any.

(b) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Auction Procedures may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions.

(c) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Agency may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Agency it may not submit Bids to purchase Bonds in Auctions for its own account, but may submit Hold Orders and Sell Orders in Auctions with respect to Bonds otherwise acquired for its own account. The Auction Agent shall be under no duty or liability with respect to monitoring compliance with this Section 2.1(c).

2.2 *Preparation for Each Auction.*

(a) Not later than 3:00 P.M. on the Business Day preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of the Bonds, as of the opening of business on such day by delivering a notice to BD by Electronic Means or other communication acceptable to the parties.

(b) In the event the Auction Date for any Auction shall be changed pursuant to Section 2.09(c) of the Auction Procedures after the Auction Agent has given notice of such Auction Date pursuant to Section 2.06 of the Auction Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall promptly give notice of such change to BD. Thereafter, BD shall use its best efforts to promptly notify its customers who are Existing Owners and Potential Owners of which it is aware of such change in the Auction Date.

2.3 *Securities Depository Participant Numbers.*

The Auction Agent may, but shall have no duty to, request, from time to time, BD to provide it with a list of the number of Units and affiliated Securities Depository participant numbers for customers BD believes are Existing Owners. BD shall comply with any such request, and the Auction Agent shall keep confidential any such information, including information received as to the identity of Bidders in any Auction, and shall not disclose any such information so provided to any person other than the Trustee and the Agency, provided that the Auction Agent reserves the right, and is authorized, to disclose any such information if (i) it is

ordered to do so by a court or regulatory, judicial or quasi-judicial agency or authority, (ii) it is advised by its counsel that its failure to do so would be unlawful or (iii) failure to do so would impose upon it any actual or potential loss, claim, damage, liability, or expense for which it has not received indemnity satisfactory to it.

2.4 *Transfers.*

BD shall deliver to the Auction Agent a notice, in a form reasonably acceptable to the Auction Agent, of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction. The Auction Agent is not required to accept any notice delivered pursuant to the terms of the foregoing sentence with respect to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the applicable Auction Date.

Notwithstanding the provisions of Section 2.6(a) hereof, any delivery or non-delivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of this Section 2.4.

2.5 *Compensation.*

(a) The initial Broker-Dealer Fee rate shall equal .25 of 1% per annum. The Broker-Dealer Fee for the Bonds shall be paid by the Auction Agent solely from moneys received from the Agency or the Trustee pursuant to this Section 2.5 or Section 3.5 of the Auction Agreement and represents compensation for the services of the BD in facilitating Auctions for the benefit of the beneficial owners of the Bonds. The Broker-Dealer Fee rate may be adjusted from time to time with the approval of the Agency upon a written request of the Broker-Dealers delivered to the Agency.

(b) While the Bonds are in an Auction Period other than a daily Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount equal to the product of (x) .25 of 1% multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is more than 180 days, the number of days in the Auction Period next succeeding such Auction Date calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360.

If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) .25 of 1% multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360.

The Broker-Dealer Fee (the "Broker-Dealer Fee") shall be calculated as set forth in this Section 2.5 by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Agency and the Trustee by 4:00 P.M., New York City time, on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Agency shall pay to the Trustee the Broker-Dealer Fee. By noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer and, immediately upon receipt of such fee, the Auction Agent shall deliver such fee to the Broker-Dealer pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

2.6 *Settlement.*

(a) If any Existing Owner on whose behalf BD has submitted a Bid or Sell Order that was accepted in whole or in part fails to instruct its Participant to deliver the Bonds subject to such Bid or Sell Order against payment therefor, BD shall instruct such Participant to deliver such Bonds against payment therefor and BD may deliver to the Potential Owner on whose behalf BD submitted a Bid that was accepted in whole or in part a principal amount of the Bonds that is less than the principal amount of the Bonds specified in such Bid to be purchased by such Potential Owner.

(b) The Auction Agent, the Trustee, and the Agency shall have no responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Participant to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

(c) The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6.

SECTION 3. THE AUCTION AGENT.

3.1 *Duties and Responsibilities of the Auction Agent.*

(a) The Auction Agent is acting solely as non-fiduciary agent for the Trustee and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in the Broker-Dealer Agreement or expressly incorporated herein by reference pursuant to Section 2.1(a) hereof and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of willful misconduct or gross negligence on its part, as determined by a court of competent jurisdiction, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment, as determined by a court of competent jurisdiction.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation: acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; or acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(e) The Auction Agent shall not be (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, except with respect to itself, on any document delivered pursuant to or as contemplated by this Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; or (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement or the Auction Agreement except with respect to its own individuals executing or delivering this Broker-Dealer Agreement or the Auction Agreement.

3.2 *Rights of the Auction Agent.*

(a) The Auction Agent may conclusively rely on and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, form or bond certificate or other instrument, paper, document or communication reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting, or refraining from action, upon any communication made by telephone, Electronic Means or other means acceptable to the parties and authorized hereby which the Auction Agent believes in good faith (or has no reason not to believe) to have been given by the particular party or parties. The Auction Agent may record telephone communications with the Trustee, the Agency or BD.

(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties or exercise of its rights hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation to monitor, or liability in respect of, the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under any federal or state securities laws or in respect of any transfer of the Bonds (or any beneficial ownership interest therein) pursuant to the terms of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, any other document contemplated by any thereof, or otherwise, including, but not limited to, compliance with any such laws in regards to any such registration, exemption or transfer.

(f) (i) Any corporation or other entity into which the Auction Agent may be merged or converted or with which it may be consolidated, (ii) any corporation or other entity resulting from any merger, conversion or consolidation to which the Auction Agent may be a party or (iii) any corporation or other entity succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything hereunder to the contrary notwithstanding.

3.3 *Auction Agent's Disclaimer.*

The Auction Agent makes no representations as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent, the accuracy or adequacy of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, the Bonds or the Official Statement, as hereinafter defined, or

any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION.

4.1 *Furnishing of Information.*

The Agency agrees to furnish, or cause to be furnished, BD with as many copies as BD may reasonably request, of the official statement relating to the Bonds (the "Official Statement") as the same may be supplemented or amended from time to time, and such other information with respect to the Agency and its properties, the Indenture, and the Bonds as BD shall reasonably request from time to time.

4.2 *Supplements and Amendments to Official Statement.*

If at any time during the term of this Broker-Dealer Agreement any event or condition known to the Agency relating to or affecting the Agency or its properties, the Bonds, the Indenture, or the documents or transactions contemplated thereby, shall occur which, in the reasonable judgment of the Agency or the Broker-Dealer, might affect the accuracy, correctness or completeness of any statement of a material fact contained in the Official Statement, as it shall have been supplemented or amended from time to time pursuant to this Section or included in any report or notice filed by the Agency (each, a "Disclosure Statement") pursuant to the undertaking entered into by the Agency pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Continuing Disclosure Undertaking") which in the reasonable judgment of the Agency or BD might result in the Official Statement, as so supplemented or amended, containing any untrue, incorrect or misleading statement of material fact or omitting to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading, then:

(a) the Agency (as to events or conditions relating to itself and otherwise of which it becomes aware) shall promptly notify BD of the circumstances and details of such event;

(b) if, in the opinion of BD, such event or condition requires the preparation and publication of an amendment or supplement to the Official Statement, the Agency at its expense shall promptly prepare or cause to be prepared an appropriate amendment or supplement thereto, in a form and manner approved by BD, so that the statements in the Official Statement, as so amended or supplemented, will not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and

(c) the Agency shall take all necessary action to approve such supplement or amendment.

4.3 *Additional Information.*

Without limiting the foregoing, the Agency shall notify BD of:

(a) proposed adverse determination letter from the Internal Revenue Service with respect to the federal income tax treatment of the Bonds, of which the Agency shall have knowledge;

(b) any replacement of the Trustee under the Indenture;

(c) Any Event of Default under the Indenture provided such Event of Default relates to the Agency, or any other default which, with notice or lapse of time or both, would constitute such an Event of Default;

(d) the publication of notice of redemption or purchase of the Bonds, together with a copy of such notice (which notice shall be provided to BD no later than the date of publication of such notice); and

(e) the occurrence of any of the following events with respect to the Bonds; (i) principal and interest payment delinquencies; (ii) non payment related defaults; (iii) unscheduled draws on debt service reserves; (iv) unscheduled draws on credit enhancements; (v) substitution of credit provider or liquidity provider, or their failure to perform; (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the securities; (xi) rating changes (including any announcement that any of the Bonds or the Agency has been put on credit watch); and (xii) failure of the Agency to provide "annual financial information" in accordance with Rule 15c2-12(b)(5)(i)(D) under the Securities Exchange Act.

4.4 *Indemnification and Contribution;*

(a) To the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Agency agrees to indemnify and hold harmless BD and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "1933 Act")) BD against any and all losses, claims, damages, expenses, and liabilities whatsoever arising out of any violation of this Broker-Dealer Agreement by the Agency, including any untrue statement or alleged untrue statement in the Official Statement and the Disclosure Statement of a material fact or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, including without limitation the reasonable costs and expenses (including fees and expenses of counsel) of investigating, preparing for or defending itself, if such settlement is effected with the written consent of the Agency. In each case the indemnification for any such settlement or expense shall be made promptly by the Agency as the costs of such settlement or expenses are incurred by BD. In case any claim should be made or

action brought against any of BD or any controlling person (as aforesaid) based upon a violation of this Broker-Dealer Agreement by the Agency, in respect of which indemnity may be sought against the Agency, BD or such controlling person shall, as a condition to its right to indemnification hereunder, promptly notify the Agency in writing setting forth the particulars of such claim or action and the Agency shall assume the defense thereof, including the retaining of counsel and the payment of all expenses. BD or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at BD's expense or the expense of such controlling person unless the retaining of such counsel has been specifically authorized in writing by the Agency or counsel retained by the Agency has advised BD that the representation of the two parties would constitute a conflict.

(b) If for any reason indemnification is unavailable to BD or insufficient to hold BD harmless in connection with this Broker-Dealer Agreement, then the Agency shall contribute to the amount paid or payable by BD as a result of any loss, claim, damage or liability or action in respect thereof (including such legal or other expenses) in such proportion as is appropriate to reflect the relative benefits received by the Agency on the one hand and BD on the other hand from the sale of the Bonds (as described in the next sentence) or, if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Agency on the one hand and BD on the other as well as any other relevant equitable considerations. For this purpose the relative benefits received by Agency on the one hand and BD on the other shall be deemed to be in the same proportion as the principal amount of the Bonds sold bears to one year's compensation, at the rate applicable at the time of such loss, claim, damage or liability or action, received by BD pursuant to Section 2.5 above. The Agency agrees with BD that it would not be just and equitable if contribution pursuant to this provision were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. The reimbursement, indemnity and contribution obligations of the Agency under this subsection shall be in addition to any liability which the Agency may otherwise have, shall extend upon the same terms and conditions to the officers, members, partners, employees an controlling persons (if any) of BD and shall be binding upon and inure to the benefit of any successors and assigns of the Agency and BD.

SECTION 5. MISCELLANEOUS.

5.1 *Termination.* BD may resign at any time, upon five Business Days' notice to the Auction Agent, with a copy of such notice to MBIA Insurance Corporation (the "Bond Insurer"); provided, however, that BD may resign immediately if it determines, in its reasonable judgment, that for any reason, including, without limitation, (a) a pending or proposed change in applicable tax laws, (b) a material adverse change in the financial condition of the Agency, (c) hostilities involving the United States, (d) a down-rating of the Bonds, or (e) an imposition of material restrictions on the Bonds or similar obligations, it is not advisable to attempt to Auction the Bonds. The Auction Agent upon the written direction of the Agency may terminate this Broker-Dealer Agreement at any time on five Business Days' notice to the other parties hereto; and provided that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement.

5.2 *Participant.* BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Agency and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

5.3 *Communications.* Except for communications authorized to be made by Electronic Means or other communication acceptable to the parties pursuant to this Broker-Dealer Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party, addressed to it, at its address, facsimile number or e-mail address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

| | |
|---|---|
| If to the Broker-Dealer, addressed: | RBC Capital Markets, Inc.<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Robert Williams<br>Managing Director<br>Fax: (415) 445-8679<br>Telephone: (415) 445-8674<br>Email: bob.williams@rbccm.com |
| If to the Auction Agent, addressed: | Wells Fargo Bank, N.A.<br>45 Broadway, 14th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services<br>Fax: (212) 509-1716<br>Telephone: (212) 515-5270<br>Email: wfauctions@wellsfargo.com |
| If to the Agency, addressed: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Steven Duran<br>Executive Director<br>Fax: (510) 307-8195<br>Telephone: (510) 231-3066<br>Email: steve_duran@ci.richmond.ca.us |
| If to the Bond Insurer, addressed: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: IPM – Global Public Finance Manager |

or such other address, telephone, facsimile number or e-mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

5.4 *Recording of Conversations.* BD may record telephone communications with the Agency, the Trustee, or the Auction Agent, or all of them.

5.5 *Entire Agreement.* This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the issuance of the Bonds, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof

5.6 *Benefits; Successors and Assigns.* This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of BD, the Auction Agent and the Agency. Except as provided in Section 3.2(f) hereof, this Broker-Dealer Agreement may not be assigned by any party hereto absent the prior written consent of the other parties; provided, however, that: (a) the Broker-Dealer Agreement may be assigned by the Auction Agent to a successor Auction Agent selected by the Agency without the consent of BD and BD may assign its rights and obligations hereunder to an affiliate of BD or to an entity succeeding to the business of BD. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any person, other than the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Agency herein.

5.7 *Amendment; Waiver.*

(a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) Notwithstanding anything herein to the contrary, the Auction Agent may, but shall have no obligation to execute any amendment or waiver which affects its rights, powers, immunities or indemnities hereunder.

5.8 *Severability.* If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.9 *Execution in Counterparts.* This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

5.10 *Governing Law; Jurisdiction; Waiver of Trial by Jury.*

(a) This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State, without giving effect to principles of choice of law or conflicts of law thereof.

(b) The parties agree that all actions and proceedings arising out of this Broker-Dealer Agreement or any of the transactions contemplated hereby shall be brought in the County of New York and, in connection with any such action or proceeding, submit to the jurisdiction of, and venue in, such County.

(c) Each party to this Broker-Dealer Agreement hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Broker-Dealer Agreement in any court referred to in Section 5.10(b) hereof. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Broker-Dealer Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.3 hereof. Nothing in this Broker-Dealer Agreement will affect the right of any party to this Broker-Dealer Agreement to serve process in any other manner permitted by law.

(e) EACH PARTY TO THIS BROKER-DEALER AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THIS BROKER-DEALER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE). EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS BROKER-DEALER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

5.11 *No Implied Duties.*

Nothing contained in this Broker-Dealer Agreement, the Auction Procedures or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Agency not otherwise expressly set forth herein or therein.

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

WELLS FARGO BANK, N.A.,
as Auction Agent

By: _____
Name: LISA D'ANGELO
Title: VICE PRESIDENT

RBC CAPITAL MARKETS, INC.,
as Broker-Dealer

By: _____
Name: _____
Title: _____

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By _____
Name: Steven Duran
Title: Executive Director

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

WELLS FARGO BANK, N.A.,
as Auction Agent

By: _____
Name: _____
Title: _____

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC CAPITAL MARKETS,
as Broker-Dealer

By: _____
Name: Robert Williams
Title: Managing Director

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By _____
Name: Steven Duran
Title: Executive Director

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

WELLS FARGO BANK, N.A.,
as Auction Agent

By: _____
Name:_____
Title: _____

RBC CAPITAL MARKETS, INC.,
as Broker-Dealer

By:_____
Name:_____
Title: _____

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By_____
Name: Steven Duran
Title: Executive Director

# EXHIBIT A

## Auction Procedures

**EXHIBIT A**

**AUCTION PROCEDURES**


ARTICLE I DEFINITIONS ..... B-1
ARTICLE II AUCTION PROCEDURES ..... B-7
Section 2.01. *Orders by Existing Owners and Potential Owners.* ..... B-7
Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.* ..... B-9
Section 2.03. *Treatment of Orders by the Auction Agent.* ..... B-11
Section 2.04. *Determination of Auction Period Rate.* ..... B-13
Section 2.05. *Allocation of Bonds.* ..... B-14
Section 2.06. *Notice of Auction Period Rate.* ..... B-16
Section 2.07. *Index.* ..... B-17
Section 2.08. *Miscellaneous Provisions Regarding Auctions.* ..... B-18
Section 2.09. *Changes in Auction Period or Auction Date.* ..... B-19

## AUCTION PROCEDURES

*Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.*

### ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any 2007 Series A Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) When Auctions Occur on this day | (B) Auction Period Generally Begins this day | (C) Auction Periods Generally End this day |
|---|---|---|
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a

daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

"Auction Rate" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

"Authorized Denominations" means with respect to the 2007 Series A Bonds in any ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Available Bonds" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-

Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Deadline" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"Clerical Error" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Electronic Means" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"Hold Order" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"Index" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit B.

"Securities Depository" means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Submission Deadline" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified

from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Sufficient Clearing Bids" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"Winning Bid Rate" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be

agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on

which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of

Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. *Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on

whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed

amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT A

Definitions

"Agency" means the Richmond Community Redevelopment Agency.

"All Hold Rate" means, as of any Auction Date, 85% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 85% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"ARB Interest Payment Date" includes the first ARB Interest Payment Date which shall be August 30, 2007, for the 2007 Series A Bonds.

"ARB Maximum Rate" means twelve percent (12%) per annum.

"Auction Agent" shall initially be Wells Fargo Bank, N.A.

"Auction Date" shall include as part of the definition the first Auction Date which shall be August 16, 2007 for the 2007 Series A Bonds.

"Auction Period" shall include in the S*ix-month Auction Period* either February 28 or October 31.

"Broker-Dealer" selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

"Index" means, on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax. If such rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" means the period from the Closing Date to but not including August 16, 2007 with respect to the 2007 Series A Bonds.

Auction Procedures

*Determination of Auction Period Rate.* The percentage of the Index in Section 2.04(c) is 85% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS) 2007 SERIES A**

## CERTIFICATE OF THE BROKER-DEALER

The undersigned, RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, acting as broker-dealer (the "Broker-Dealer"), hereby certifies as follows:

1. This Certificate is being provided in connection with the Richmond Community Redevelopment Agency (Merged Project Areas) 2007 Series A (the "Bonds") issued pursuant to that certain Indenture of Trust, as supplemented by the First Supplement Indenture of Trust, each dated as of July 1, 2007, and each by and between the Richmond Community Redevelopment Agency (the "Agency") and Union Bank of California, N.A., as trustee (the "Trustee").

2. The Broker-Dealer is a corporation organized and existing under and by virtue of the laws of the State of Delaware having the full power and being qualified to enter into and perform its duties under the Broker-Dealer Agreement (the "Broker-Dealer Agreement"), dated as of July 1, 2007, among the Trustee, Wells Fargo Bank, N.A. as auction agent and the Broker-Dealer, and as described in the Indenture.

3. The execution and delivery of the Broker-Dealer Agreement and compliance with the provisions on the part of the Broker-Dealer contained therein and as described in the Indenture, does not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Broker-Dealer is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations)

4. To the best knowledge of the Broker-Dealer, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Broker-Dealer, affecting the existence of the Broker-Dealer, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or in any way contesting or affecting the validity or enforceability of the Broker-Dealer Agreement, or contesting the powers of the Broker-Dealer or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Broker-Dealer Agreement, or the power and authority of the Broker-Dealer to enter into and perform its duties thereunder

5. the Broker-Dealer has executed and delivered the Broker-Dealer Agreement, and the Broker-Dealer Agreement constitutes a valid and binding agreement of the Broker-Dealer enforceable in accordance with its terms.

Capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Agreement relating to the Bonds, dated as of July 10, 2007, by and among RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as Underwriter, the Agency and the Richmond Joint Powers Financing Authority.

Dated: July 12, 2007

**RBC DAIN RAUSCHER, INC., doing business under the trade name RBC Capital Markets, as Broker-Dealer**

By:_____
Authorized Representative

EXECUTION COPY

# INSURANCE AND REIMBURSEMENT AGREEMENT

between

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY,**

and

**MBIA INSURANCE CORPORATION**

regarding

$65,400,000
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

$9,772,621.50
Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B

and

Swap Transaction bearing Ref. No. 1479656 / 1521329 dated June 26, 2007,
governed by the ISDA Master Agreement and the Schedule thereto
dated as of June 26, 2007, by and between Royal Bank of Canada and
Richmond Community Redevelopment Agency

Dated as of July 1, 2007

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS ..... 2

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

Section 2.01. Representations, Warranties and Covenants of the Issuer ..... 4
Section 2.02. [Reserved] ..... 7

ARTICLE III

AGREEMENT TO INDEMNIFY ..... 7

ARTICLE IV

PAYMENT, REIMBURSEMENT AND OTHER RIGHTS OF MBIA

Section 4.01. Payment and Reimbursement Rights of MBIA ..... 8
Section 4.02. Optional Deposits by MBIA ..... 9

ARTICLE V

SUBROGATION RIGHTS AND SECURITY OF MBIA

Section 5.01. Subrogation Rights ..... 9
Section 5.02. Security ..... 9

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default Described ..... 10
Section 6.02. Remedies ..... 11
Section 6.03. No Remedy Exclusive ..... 11

ARTICLE VII

SETTLEMENT ..... 11

ARTICLE VIII

OBLIGATIONS OF THE ISSUER ABSOLUTE ..... 12

ARTICLE IX

MISCELLANEOUS PROVISIONS


| | | |
|---|---|---|
| Section 9.01. | Amendments, Changes and Modifications | 12 |
| Section 9.02. | Governing Law | 12 |
| Section 9.03. | Notices | 12 |
| Section 9.04. | Third-party Beneficiary | 13 |
| Section 9.05. | Severability | 13 |
| Section 9.06. | Counterparts | 13 |
| Section 9.07. | Primary Obligation | 13 |
| Section 9.08. | Further Assurances and Corrective Instruments | 13 |
| Section 9.09. | No Rights Conferred on Others | 13 |
| Section 9.10. | Term | 13 |
| Section 9.11. | Payment Procedure | 14 |
| Section 9.12. | Conflicting Provisions | 14 |
| Section 9.13. | [Reserved] | 14 |

# INSURANCE AND REIMBURSEMENT AGREEMENT

**THIS INSURANCE AND REIMBURSEMENT AGREEMENT** (this "Agreement") dated as of July 1, 2007 is entered into by and between the **RICHMOND COMMUNITY REDEVELOPMENT AGENCY**, as issuer (the "Issuer"), and **MBIA INSURANCE CORPORATION**, a stock insurance corporation, duly organized and existing under the laws of the State of New York ("MBIA"). Capitalized terms not otherwise defined shall have the meanings ascribed thereto in Article I of this Agreement.

RECITALS:

1. The Issuer is a redevelopment agency duly created and authorized to transact business and exercise its powers under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the California Health and Safety Code), and the powers of such agency include the power to issue bonds for any of its corporate purposes; and

2. A redevelopment plan for a redevelopment project designated as the "Richmond Community Redevelopment Agency Merged Project Areas" (the "Project") has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with;

3. The plan contemplates that the Issuer will issue its bonds to finance or refinance a portion of the cost of such redevelopment;

4. The Issuer intends to issue certain Bonds under the Master Non-Housing Indenture and the Master Housing Indenture to provide funds to pay certain costs and has asked MBIA to issue financial guaranty insurance policies insuring certain payments of principal and interest on the Bonds without regard to any acceleration of the time of payment of the Bonds;

5. The Issuer wishes to hedge a portion of its Series 2007 A Bonds and has determined that the Swap Agreement and related arrangements are designed to enhance the relationship between risk and return with respect to its program of investment and to that end has asked the Swap Provider to execute the Swap Agreement;

6. The Swap Provider, as a condition of providing the Swap Agreement required that MBIA issue a Swap Policy contemporaneously with the delivery of the Series 2007 A Bonds, insuring certain of the amounts which may be due from the Issuer to the Swap Provider under the Swap Agreement;

7. MBIA has agreed to issue the Swap Policy contemporaneously with the delivery of the Series 2007 A Bonds, insuring certain of the amounts which may be due from the Issuer to the Swap Provider under the Swap Agreement;

8. MBIA has agreed, pursuant to the terms of the MBIA Commitments, to deliver the Swap Policy to the Swap Provider and the Policies to the Trustee, but has required that the Issuer undertake certain obligations hereunder in connection therewith; and

9. This Agreement is entered into in order to set forth certain representations, warranties, covenants and other agreements of the Issuer and to evidence and secure the Issuer's obligation (a) to reimburse MBIA for any payment made by MBIA under the Policies and the Swap Policy and as provided herein and (b) to indemnify or reimburse MBIA for certain amounts as more fully set forth herein.

In consideration of the premises and the mutual promises set forth below, MBIA and the Issuer agree as follows:

## ARTICLE I

## DEFINITIONS

Unless the context otherwise requires, the terms defined in this Article I shall, for all purposes of this Agreement, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

"*Agreement*" means this Insurance and Reimbursement Agreement dated as of July 1, 2007, including any amendments or any supplements hereto as herein permitted.

"*Auction Agent Agreement*" shall have the meaning ascribed thereto in the First Supplemental Non-Housing Indenture.

"*Authorized Officer*," with respect to the Issuer, means the Executive Director of the Issuer and any other officer of the Issuer duly authorized to act as an Authorized Agency Representative (as defined in the Indenture) for purposes of the Indenture by the Issuer or written authorization of the Executive Director of the Issuer.

"*Bonds*" means the 2007 Series A Bonds and the 2007 Series B Bonds.

"*Broker Dealer Agreement*" shall have the meaning ascribed thereto in the First Supplemental Non-Housing Indenture.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a State legal holiday or (c) any day which shall be in the city in which the Trustee or MBIA is located, a legal holiday or a day on which banks in any of such cities are required or authorized by law or other government action to close.

"*Counsel*" means nationally recognized municipal bond counsel acceptable to MBIA.

"*Indenture*" means either or both (i) the Master Non-Housing Indenture and (ii) the Master Housing Indenture, as applicable.

"*First Supplemental Housing Indenture*" means the First Supplemental Indenture of Trust, dated as of July 1, 2007, by and between Richmond Community Redevelopment Agency and Union Bank of California, N.A. providing for the issuance of the 2007 Series B Bonds.

*"First Supplemental Non-Housing Indenture"* means the First Supplemental Indenture of Trust, dated as of July 1, 2007, by and between Richmond Community Redevelopment Agency and Union Bank of California, N.A. providing for the issuance of the 2007 Series A Bonds.

"*Issuance Date*" means the date upon which the Policies are issued.

"*Issuer*" means Richmond Community Redevelopment Agency.

*"Master Housing Indenture"* means the Indenture of Trust, dated as of July 1, 2007, by and between Richmond Community Redevelopment Agency and Union Bank of California, N.A., as amended and supplemented by the First Supplemental Housing Indenture.

*"Master Non-Housing Indenture"* means the Indenture of Trust, dated as of July 1, 2007, by and between Richmond Community Redevelopment Agency and Union Bank of California, N.A., as amended and supplemented by the First Supplemental Non-Housing Indenture.

"*MBIA*" means MBIA Insurance Corporation, a New York stock insurance corporation.

"*MBIA Commitments*" means the MBIA Insurance Corporation Commitments dated July 5, 2007, relating to the delivery of the Policies and the Swap Policy.

"*Parity Obligations*" shall have the meaning ascribed thereto in the Indenture.

"*Policies*" means either or both (i) the Financial Guaranty Insurance Policy No. 498771, including any endorsements thereto, issued by MBIA in connection with the Series 2007 A Bonds and (ii) the Financial Guaranty Insurance Policy No. 498781, including any endorsements thereto, issued by MBIA in connection with the Series 2007 B Bonds.

"*Prime Rate*" means for any date of determination, the rate of interest as it is publicly announced by Citibank, N.A. at its principal office in New York, New York as its prime lending rate for unsecured commercial loans within the United States (any change in such prime rate of interest to be effective on the date such change is announced by Citibank, N.A.); provided, however, that if Citibank, N.A. ceases to announce a prime lending rate for unsecured commercial loans within the United States, then "Prime Rate" shall mean the average of the prime lending rates for unsecured commercial loans within the United States as announced by three leading commercial banks selected by MBIA from time-to-time.

"*Reimbursement Rate*" means for any date of determination, the Prime Rate plus 3%. The Reimbursement Rate shall be computed on the basis of a year of 365 days calculating the actual number of days elapsed. In no event shall the Reimbursement Rate exceed the maximum rate permissible under any applicable law limiting interest rates.

"*Related Documents*" means the Bonds, any bond purchase agreement related to the Bonds, the Indenture, each Supplemental Indenture, including without limitation the Supplemental Indenture relating to the Bonds, the Auction Agent Agreement, the Broker Dealer Agreement, the Remarketing Agreement, the Bond Purchase Agreement, the Swap Agreement, any liquidity facility and any other transaction document or agreement contemplated by the Bonds or this Agreement.

"*Remarketing Agreement*" shall have the meaning ascribed thereto in the First Supplemental Non-Housing Indenture

"*State*" means the State of California.

"*Subordinate Pledged Tax Revenues*" shall have the meaning ascribed there to in the Master Non-Housing Indenture with respect to the Series 2007 A Bonds and in the Master Housing Indenture with respect to the Series 2007 B Bonds.

"*Supplemental Indenture*" shall have the meaning ascribed thereto in the Indenture.

"*Swap Agreement*" means the ISDA Master Agreement dated as of June 26, 2007 between the Issuer and the Swap Provider, the Schedule thereto, and the Swap Transaction bearing Ref. No. 1479656 / 1521329 dated June 26, 2007 which is the subject of the Swap Policy.

"*Swap Policy*" means Interest Rate Swap Insurance Policy No. 498773, issued by MBIA, including any endorsements thereto.

"*Swap Provider*" means Royal Bank of Canada.

"*Trustee*" shall have the meaning ascribed thereto in the Indenture.

"*Trust Estate*" shall have the meaning ascribed thereto in Section 5.02 of this Agreement.

"*2007 Series A Bonds*" means the $65,400,000 Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A.

"*2007 Series B Bonds*" means the $9,772,621,50 Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B.

## ARTICLE II

## REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

**Section 2.01. Representations, Warranties and Covenants of the Issuer**. The Issuer represents and warrants to, and covenants with, MBIA that:

(a) The Issuer is organized and is duly established and existing under the laws of the State and has approved the issuance of the Bonds.

(b) The Issuer has the full power and authority (corporate and other) to execute and deliver this Agreement and to enter into the transactions contemplated by this Agreement and the Related Documents. The execution and delivery of this Agreement and each of the Related Documents has been duly authorized by the Issuer,

and all necessary approvals for the execution, delivery and performance by the Issuer of this Agreement and the Related Documents have been obtained.

(c) The execution and delivery of this Agreement and each of the Related Documents, the consummation of the transactions contemplated hereby and thereby and the fulfillment of or compliance with the terms and conditions of this Agreement and each Related Document by the Issuer do not conflict with or result in any material breach or violation of any of the terms, conditions or provisions of any applicable laws, including regulations, or any material agreement or instrument to which the Issuer is now a party or by which it is bound, or constitute a default under any of the foregoing which default would materially and adversely affect the consummation of the transactions contemplated hereby and by the terms of the Related Documents.

(d) This Agreement and each Related Document to which the Issuer is a party, when executed and delivered by the Issuer, assuming the due authorization, execution and delivery by the other parties thereto, will constitute the legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(e) The Bonds and the payment obligations of the Issuer under this Agreement constitute Parity Obligations within the meaning of the Indenture.

(f) The Issuer shall provide or cause to be provided to MBIA at or prior to the disbursement of the proceeds of the Bonds by the Issuer (i) conformed copies of this Agreement and the Related Documents and (ii) such opinions of legal Counsel and certified resolutions of the Issuer evidencing necessary or appropriate corporate action by the Issuer, and other documents as may reasonably be requested by MBIA, including documents evidencing any required approvals of the transactions contemplated to be undertaken by the Issuer under this Agreement and the Related Documents.

(g) The Issuer hereby makes to MBIA the same representations, warranties and the same covenants made by the Issuer, as are set forth in each of the Related Documents which representations, warranties and covenants, as well as the related defined terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation, warranty and covenant and defined term were set forth herein in its entirety. Any amendment to such representations, warranties and covenants or defined terms in any of the Related Documents and any termination, defeasance, discharge or replacement of any of the Related Documents shall be effective to amend, terminate, replace or discharge such representations, warranties, covenants and defined terms of the specified documents if adopted in accordance with their respective requirements, but shall not be effective to amend this Agreement without the prior written consent of MBIA if such amendment, termination, replacement or discharge shall materially adversely affect the rights of MBIA hereunder.

(h) The Issuer will deliver to MBIA:

(i) simultaneously upon execution thereof, copies of each Supplemental Indenture and all amendments relating to the Related Documents; and

(ii) as soon as available, two copies of the complete statement of financial position, statement of operations, and statement of cash flows of the Issuer, including the balance sheet as of the end of such fiscal year and the related statement of operations, statement of changes in net assets and statement of cash flows, all in reasonable detail and accompanied by an independent auditor's report stating that (a) its audit was in accordance with generally accepted auditing standards and (b) the financial statements present fairly (in all material respects) the financial position of the Issuer as of the end of such fiscal year; and

(iii) simultaneously with the delivery of financial statements referred to in clause (ii) and (iii) above, a certificate of an Authorized Officer stating that after due inquiry there does not exist on the date of such certificate any event of default or event which with notice or lapse of time or both would constitute an event of default of which the Issuer is aware or, if any event of default does exist, stating that such event exists and setting forth the details thereof and the action that the Issuer is taking or proposes to take with respect thereto.

The Issuer agrees to permit MBIA to examine, visit and inspect, at any reasonable time, upon reasonable prior notice, any accounts, books and records, including its receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing and to supply such reports and information as MBIA may reasonably require.

The Issuer's chief financial officer shall, at the reasonable request of MBIA, discuss the Issuer's financial matters with MBIA or a designee and provide MBIA with copies of any documents (other than documents the confidentiality of which is protected by law or professional codes of ethics) that are reasonably requested by MBIA or a designee and have a material financial effect on them.

(i) The Issuer agrees to permit MBIA to examine and inspect, at any reasonable time, upon reasonable notice, the books of record and account of the Issuer relating to its transactions pursuant to the Indenture, and all other records relating to its transactions pursuant to the Indenture, the Bonds and Parity Obligations. The Issuer further agrees to promptly notify MBIA in writing of the happening of any event resulting in the loss of the tax-exempt status of the Bonds or placing the same in jeopardy with respect to the Bonds.

(j) Notwithstanding anything to the contrary in the Indenture or any other Related Document, the Issuer hereby agrees that there shall be no acceleration of the Bonds without the prior written consent of MBIA.

(k) The Issuer agrees not to use MBIA's name in any public document including, without limitation, a press release or presentation, announcement or forum without MBIA's prior consent; provided however, such prohibition on the use of the MBIA's name shall not relate to the use of MBIA's standard approved form of disclosure in public documents issued in connection with the current Bonds to be issued in accordance with the terms of the MBIA Commitments; and provided further such prohibition shall not apply to the use of MBIA's name in order to comply with public notice, public meeting or public reporting requirements.

(l) The Issuer shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of MBIA.

**Section 2.02. [Reserved].**

## ARTICLE III

## AGREEMENT TO INDEMNIFY

To the extent not prohibited by law, the Issuer shall indemnify MBIA against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which MBIA may sustain or incur by reason of or in consequence of:

(a) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or any of the Related Documents;

(b) enforcing any covenants, conditions or legal obligations with respect to the Bonds or the transactions contemplated thereby, or under the Related Documents or this Agreement that are required to be complied with by the Issuer, the Trustee, or any other party to a Related Document;

(c) any action, proceeding (administrative, regulatory or legal) or suit threatened or brought in connection with the Bonds, the Related Documents, the Trust Estate, this Agreement or with respect to the Issuer's rights or obligations under the Indenture, including all litigation or potential litigation, costs of defense and/or settlement by MBIA of any such threatened or pending action, proceeding, suit or judgment; or

(d) recovering or attempting to recover losses or expenses paid or incurred in connection with the Bonds, the Related Documents, the Policies, the Swap Policy, this Agreement or the transactions contemplated hereby and thereby.

Costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of MBIA spent in connection with the actions described in clauses (b), (c) and (d) above. The Issuer agrees to reimburse MBIA immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by MBIA in connection with (i) the enforcement by MBIA of the Issuer's obligations, or the preservation or defense of any rights of MBIA, under

the Related Documents and any other document executed in connection with the issuance of the Bonds and (ii) any consent, amendment, waiver or other action with respect to any Related Document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at the Reimbursement Rate. In addition, MBIA reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

An itemized statement of costs incurred by MBIA for any of the purposes specified in this Article III shall be prima facie evidence of the liability of the Issuer and, if the Issuer fails to reimburse MBIA within ten Business Days of receipt of such statement of payments, interest shall be computed on such amount from the date of the payment made by MBIA at the Reimbursement Rate.

## ARTICLE IV

## PAYMENT, REIMBURSEMENT AND OTHER RIGHTS OF MBIA

**Section 4.01. Payment and Reimbursement Rights of MBIA.** The Issuer agrees to make the following payments to MBIA:

(a) On or prior to the Issuance Date, the premiums, as required to be paid pursuant to paragraph 1 of the MBIA Commitments. Such premiums shall be nonrefundable without regard to (i) whether MBIA makes any payment under either the Policies or the Swap Policy, (ii) any other circumstances relating to the Bonds or (iii) provision being made for payment of the Bonds prior to maturity;

(b) The reimbursement of all payments made by MBIA under the terms of the Policies, the Swap Policy or this Agreement pursuant to the priorities set forth in the Indenture;

(c) All other amounts required to be paid to MBIA by the Issuer pursuant to the terms of this Agreement or in connection with the transactions contemplated by the Bonds, the Related Documents, this Agreement, the Policies and the Swap Policy upon written notice from MBIA of the amounts so owed;

(d) Any and all charges, fees, costs and expenses which MBIA may pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in this Agreement or any of the Related Documents, (ii) the pursuit of any remedies thereunder or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect thereto, or related thereto, whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it in connection with, or affecting, this Agreement, any of the Related Documents or any of the obligations hereunder or thereunder or (v) any litigation or other dispute in connection with this Agreement or any of the Related Documents or the transactions contemplated hereby or thereby upon written notice from MBIA of the amounts so owed; and

(e) Interest on the amounts owed in clauses (a), (b), (c) or (d) of this Article IV from the date of any payment due or paid as described in clauses (a) or (b) and from the date of receipt of written notice from MBIA, as provided in clauses (c) or (d), in each case at the Reimbursement Rate. If the interest provisions of this clause (i) 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 herein, 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 hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder 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 MBIA, with the same force and effect as if the Issuer had specifically designated such extra sums to be so applied and MBIA 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 herein 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.

**Section 4.02. Optional Deposits by MBIA**. MBIA shall at any time, and from time to time, with respect to a payment date on the Bonds, have the option to deliver amounts to the Trustee for deposit into the bond payment account for either of the following purposes: (i) to provide funds in respect of the payment of fees or expenses of any provider of services to the Trustee or with respect to the Trust Estate or (ii) to provide monies with respect to any payment date on the Bonds to the extent that without such provision of funds, a claim would be required to be made on the Policies or the Swap Policy. Any such amounts provided by MBIA shall be reimbursable amounts as due hereunder.

## ARTICLE V

## SUBROGATION RIGHTS AND SECURITY OF MBIA

**Section 5.01. Subrogation Rights**. To the extent of payments made and expenses incurred by MBIA in connection with the Policies , the Swap Policy and this Agreement, MBIA shall be fully subrogated to the Bondowners rights under the Indenture and the Swap Provider's rights under the Swap Agreement to seek payment of amounts owed by the Issuer. The Issuer acknowledges and agrees, that upon payment of a claim under the Policies or the Swap Policy, MBIA will be subrogated to the rights of the Bondowner or the Swap Provider, as the case may be. The Issuer will at any time, and from time to time, at the request of MBIA execute any instrument, document or agreement, and take any other action, that MBIA may consider necessary or desirable to effect these rights of subrogation.

**Section 5.02. Security**. The Issuer hereby grants MBIA a security interest in the Subordinate Pledged Tax Revenues and all money in the Special Fund (as defined in the applicable Indenture) and in the fund or accounts so specified and provided for in the Indenture (the "Trust Estate") to secure all amounts which may become due under this Agreement which security interest shall be on a parity with that granted to the Bonds and any Parity Obligations, all

in accordance with the payment priorities set forth in the Indenture. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by MBIA for the perfection of the security interest granted under this Article V and for the preservation and protection of all rights of MBIA under this Article V.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01. Events of Default Described.** The happening of any one or more of the following events shall constitute an "Event of Default" and, upon the occurrence of any such Event of Default, MBIA may exercise the remedies specified herein:

(a) Failure by the Issuer to make any payment required by Article III or IV hereof;

(b) The dissolution or liquidation of the Issuer, or the voluntary initiation by the Issuer of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Issuer of any such proceeding, which remains undismissed or unstayed for 90 days, or failure by the Issuer to promptly have discharged any execution, garnishment or attachment of such consequence as would materially impair the ability of the Issuer to carry on its operations, or assignment by the Issuer for the benefit of creditors, or the entry by the Issuer into an agreement of composition with creditors or the failure generally by the Issuer to pay its debts as they become due;

(c) Any representation of or warranty by the Issuer made in this Agreement or the Related Documents is untrue in any material respect;

(d) Except as otherwise provided in Section 6.01(a) above, the failure of the Issuer to observe or perform in any material respect any covenant, condition or provision of this Agreement, if such failure shall not have been remedied or cured within 30 days after the Issuer's receipt of written notice thereof by MBIA;

(e) The occurrence and continuation of an event of default (however defined but excluding any event described in subparagraphs (a), (b), (c), (f) or (g) of this Section 6.01) under any of the Related Documents, if such event of default shall not have been cured or otherwise remedied within any related cure period set forth in the applicable Related Document;

(f) Any acceleration of the Bonds or any Parity Obligation without the prior written consent of MBIA; or

(g) Any material provision of this Agreement or the Related Documents to which the Issuer is a party shall at any time for any reason cease to be valid and binding, unless by their terms they cease to be valid and binding, on the Issuer or shall be declared

to be null and void by a final, nonappealable order of a court having competent jurisdiction, or the validity or enforceability of any thereof shall be contested by the Issuer or any governmental agency or authority, or if the Issuer shall deny that it has any further liability or obligation under this Agreement or the Related Documents to which it is a party.

**Section 6.02. Remedies.** Whenever an Event of Default referred to in Section 6.01 hereof shall have happened and be continuing, MBIA may take any one or more of the following remedial steps:

(a) Exercise its rights of subrogation pursuant to the Indenture;

(b) Exercise any rights of subrogation it may have under the Policies or the Swap Policy;

(c) Take whatever other action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance and observance of any obligation, agreement or covenant of the Issuer under this Agreement or under any Related Document; or

(d) Accelerate any or all amounts due under this Agreement to the extent acceleration is a permitted remedy with respect to the Bonds.

**Section 6.03. No Remedy Exclusive.** Unless otherwise expressly provided, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or under any Related Document or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement or under any Related Document upon the happening of any Event of Default set forth in Section 6.01 hereof shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle MBIA to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give any notice, other than such notice as may be required in this Article VI.

## ARTICLE VII

## SETTLEMENT

MBIA shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought on either of the Policies or the Swap Policy shall or shall not be paid, compromised, resisted, defended, tried or appealed, and MBIA's decision thereon, if made in good faith, shall be final and binding upon the Issuer.

## ARTICLE VIII

## OBLIGATIONS OF THE ISSUER ABSOLUTE

The obligations of the Issuer to make payments under this Agreement shall be absolute, unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any of the Related Documents;

(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents;

(c) the existence of any claim, setoff, defense or other right which the Issuer may have at any time against the Trustee or any other person or entity other than MBIA, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents or any unrelated transactions;

(d) any statement or any other document presented under or in connection with the Policies, the Swap Policy or the MBIA Commitments proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) payment by MBIA under the Policies or the Swap Policy under circumstances which do not comply with the terms of the Policies or the Swap Policy, provided, however, that such payments shall not have resulted from gross negligence or willful misconduct on the part of MBIA.

## ARTICLE IX

## MISCELLANEOUS PROVISIONS

**Section 9.01. Amendments, Changes and Modifications.** This Agreement may be amended, changed, modified, altered or terminated only with the prior written approval of MBIA and the Issuer.

**Section 9.02. Governing Law.** This Agreement shall be construed in accordance with the substantive laws of the State of New York, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

**Section 9.03. Notices.** All notices hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

MBIA: MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Insured Portfolio Management
Telephone: (914) 273-4545
Facsimile: (914) 765-3799

Issuer: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, CA 94804
Attention: Executive Director
Telephone: (510) 231-3066
Facsimile: (510) 307-8195

Any party may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent

**Section 9.04. Third-party Beneficiary**. MBIA shall be deemed a third-party beneficiary of each of the Related Documents and entitled to enforce the terms thereof as if a signatory thereto.

**Section 9.05. Severability**. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 9.06. Counterparts**. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

**Section 9.07. Primary Obligation**. Payment of amounts due by the Issuer under this Agreement is a primary obligation of the Issuer and such obligation is absolute and unconditional, irrespective of any illegality, invalidity or unenforceability of or defect in any provision of the Bonds or of any obligations of the Issuer.

**Section 9.08. Further Assurances and Corrective Instruments**. To the extent permitted by law, the Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

**Section 9.09. No Rights Conferred on Others**. Nothing in this Agreement shall confer any right upon any person other than MBIA and the Issuer.

**Section 9.10. Term**. The term of this Agreement shall commence on the date hereof and shall end on the date the Bonds and the interest thereon, and all amounts due and owing to MBIA under this Agreement and all Related Documents and pursuant to any rights of subrogation MBIA may have under this Agreement, the Policies, the Swap Policy and the Indenture, are paid in full.

**Section 9.11. Payment Procedure**. All payments to be made to MBIA under this Agreement shall be made to MBIA in lawful currency of the United States of America in immediately available funds at the notice address for MBIA as set forth in this Agreement on the date when due.

**Section 9.12. Conflicting Provisions**. To the extent any provisions of the Indenture relating to the Bonds conflict with the terms of this Agreement, the provisions of this Agreement shall control for purposes of determining the rights and obligations of the parties hereunder.

**Section 9.13. [Reserved].**

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Insurance and Reimbursement Agreement to be executed in its respective name by its duly authorized officer, all as of the date first above written.

MBIA INSURANCE CORPORATION

By _____
Title Assistant Secretary

RICHMOND COMMUNITY REDEVELOPMENT AGENCY, as Issuer

By _____
Title _____

IN WITNESS WHEREOF, each of the parties hereto has caused this Insurance and Reimbursement Agreement to be executed in its respective name by its duly authorized officer, all as of the date first above written.

MBIA INSURANCE CORPORATION

By _____
Title _____

RICHMOND COMMUNITY REDEVELOPMENT AGENCY, as Issuer

By _____
Title _____

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation
## Armonk, New York 10504

Policy No. 498771

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to Union Bank of California, N.A., San Francisco, California or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$65,400,000
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
Series 2007A

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

SPECIMEN

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this 12th day of July, 2007.

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-R-CA-7
1/05

mbia
WISDOM IN ACTION™

**REVISED AS OF JULY 5, 2007**
**COMMITMENT TO ISSUE A**
**FINANCIAL GUARANTY INSURANCE POLICY AND**
**AND INTEREST RATE SWAP INSURANCE POLICY**

Application No.: 2007-003549-001
2007-003549-005
Sale Date: July 10, 2007
Program Type: Negotiated DP

Re: $65,400,000 Richmond Community Redevelopment Agency, Subordinate Tax Allocation Bonds, Series 2007A (the "Bond Obligations")

$65,400,000 Interest Rate Swap for certain obligations of Richmond Community Redevelopment Agency (the "Applicant") under the ISDA Master Agreement dated as of June 26, 2007 between Royal Bank of Canada and the Applicant, the Schedule to such Master Agreement and that certain Confirmation approved by MBIA Insurance Corporation (the "Swap Obligations")
(the "Bond Obligations" and the "Swap Obligations" are collectively referred to as the "Obligations")

This commitment to issue a financial guaranty insurance policy and an interest rate swap insurance policy (the "Commitment") dated July 5, 2007, constitutes an agreement between RICHMOND COMMUNITY REDEVELOPMENT AGENCY (the "Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated June 5, 2007, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Bond Obligations, (a) a financial guaranty insurance policy (the "Bond Policy") for the Bond Obligations, insuring the payment of principal of and interest on the Bond Obligations when due, and (b) an interest rate swap insurance policy for the Swap Obligations (the "Swap Policy") insuring certain amounts due on the Swap Obligations relating to the Bond Obligations (the Bond Policy and the Swap Policy are hereinafter referred to collectively as the "Policies"). The issuance of the Policies shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Bond Obligations, of a nonrefundable premium in the amount of $477,000 [.445% (premium rate) of $107,293,071.50 (total debt service), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Policies issued pursuant to this Commitment.




2. The Bond Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Bond Obligations, and the Swap Obligations shall have received the unqualified opinion of counsel acceptable to the Insurer with respect to the authorization and enforceability of the Swap Obligations and the security available to the insured Swap Obligations, which shall be on a par with that to be offered to the holders of the Bond Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Bond Obligations not to be required to purchase the Bond Obligations at closing.

6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Bond Obligations.

7. Prior to the delivery of and payment for the Bond Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations

9. The Insurer's "Payments Under the Policy/Other Required Provisions" (see attached) shall be included in the authorizing document.

10. The Applicant agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; provided however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the current Obligations to be issued in accordance with the terms of the Commitment; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

11. This Commitment may be signed in counterpart by the parties hereto.

12. Compliance with the Insurer's General Document Provisions (see attached).

mbia
WISDOM IN ACTION™

13. Compliance with the Insurer's List of Permissible Investments for Indentured Funds (see attached).

14. Compliance with the Insurer's Auction Rate Bonds Term Sheet (see attached).

15. Compliance with the Insurer's Variable Rate Demand Bonds Term Sheet for Liquidity Facility (see attached).

16. Compliance with the Insurer's General Document Provisions For Variable Rate Debt to be Issued on a Parity With Insurer Insured Bonds (see attached).

17. Compliance with the Insurer's General Criteria (Bond Related Insured Swaps) (see attached).

18. Compliance with the Insurer's Swap Schedule Rider (see attached).

19. Receipt, review and approval of all legal documents (including swap documents and opinions of counsel) prior to the sale of the Obligations. The Issuer will be responsible for the costs associated the Insurer's outside legal counsel's review of the legal documents. Legal fees associated with this review will be capped at $25,000.

20. Execution of a Reimbursement Agreement between the Issuer and the Insurer.

Dated this 5th day of July, 2007.

**MBIA Insurance Corporation**

By _____
Assistant Secretary

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____

Title: Executive Director

# FIRST SUPPLEMENTAL INDENTURE OF TRUST

between

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
and
UNION BANK OF CALIFORNIA, N.A., as Trustee

Relating to

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Dated as of July 1, 2007

## TABLE OF CONTENTS

**Page**


ARTICLE I AUTHORITY AND DEFINITIONS ..... 2
Section 1.01. Supplemental Indenture of Trust ..... 2
Section 1.02. Authority for the First Supplemental Indenture of Trust ..... 2
Section 1.03. Definitions ..... 2
Section 1.04. Interpretation ..... 15
ARTICLE II THE 2007 SERIES A BONDS ..... 15
Section 2.01. Principal Amount and Designation; Conditions to Issuance ..... 15
Section 2.02. Terms of the 2007 Series A Bonds; Registration; Denominations; Payment of Principal and Interest ..... 16
Section 2.03. Payment of Principal and Interest. ..... 17
Section 2.04. Daily Interest Rate Period ..... 19
Section 2.05. Weekly Interest Rate Period ..... 21
Section 2.06. Long-Term Interest Rate Period ..... 22
Section 2.07. Commercial Paper Interest Rate Period ..... 25
Section 2.08. Index Interest Rate Period ..... 27
Section 2.09. Rescission of Conversion; Conditions to Conversion ..... 29
Section 2.10. ARB Provisions ..... 31
Section 2.11. 2007 Series A Bond Insurance Policy ..... 34
Section 2.12. Notices and Information to the 2007 Series A Bond Insurer ..... 39
ARTICLE III REDEMPTION OF 2007 SERIES A BONDS ..... 40
Section 3.01. Terms of Redemption ..... 40
Section 3.02. Selection of 2007 Series A Bonds for Redemption ..... 44
ARTICLE IV TENDER OF BONDS ..... 44
Section 4.01. Optional Tender During Daily Interest Rate Period or Weekly Interest Rate Period ..... 44
Section 4.02. Mandatory Tender Following Commercial Paper Term ..... 45
Section 4.03. Mandatory Tender on First Day of Interest Rate Period ..... 45
Section 4.04. Mandatory Tender Upon Termination or Expiration of Credit Support Instrument ..... 45
Section 4.05. Notice to Owners of Mandatory Tender ..... 46
Section 4.06. Undelivered Bonds ..... 47
Section 4.07. General Provisions Relating to Tenders ..... 47
Section 4.08. Remarketing of 2007 Series A Bonds; Notice of Interest Rates ..... 52
Section 4.09. Credit Support Instrument; Alternate Credit Support Instruments ..... 53
Section 4.10. Termination of Credit Support Instrument; Purchase by Credit Provider; Notices ..... 54
Section 4.11. Reduction and Surrender of Credit Support Instrument ..... 56
Section 4.12. Appointment, Duties and Qualifications of Tender Agent ..... 57
ARTICLE V APPLICATION OF PROCEEDS ..... 57
Section 5.01. Application of Proceeds of 2007 Series A Bonds ..... 57
Section 5.02. 2007 Series A Costs of Issuance Fund ..... 58
Section 5.03. 2007 Series A Project Fund ..... 59

**TABLE OF CONTENTS**
(continued)

**Page**


Section 5.04. 2007 Series A Coverage Reserve Subaccount....60
ARTICLE VI CERTAIN TAX MATTERS....62
Section 6.01. Tax Covenants....62
Section 6.02. Rebate Fund....63
ARTICLE VII MISCELLANEOUS....63
Section 7.01. Indenture to Remain in Effect....63
Section 7.02. Provisions Relating to Credit Provider....63
Section 7.03. Provisions Relating to Termination Payments under the 2007 Swap....64
Section 7.04. Continuing Disclosure....65
Section 7.05. Notice to Rating Agencies; Notice to Auction Agent....65
Section 7.06. Notices....65
Section 7.07. Counterparts....67
EXHIBIT A FORM OF 2007 SERIES A BONDS....A-1
EXHIBIT B AUCTION PROCEDURES....B-1
EXHIBIT C FORM OF NOTICE OF CURE OF ARB PAYMENT DEFAULT....C-1
EXHIBIT D FORM OF AUCTION AGENT AGREEMENT....D-1
EXHIBIT E FORM OF BROKER-DEALER AGREEMENT....E-1
EXHIBIT F FORM OF REQUISITION FOR MONEY FROM THE 2007 SERIES A PROJECT FUND....F-1

# FIRST SUPPLEMENTAL INDENTURE OF TRUST

**THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST**, dated as of July 1, 2007, is entered into by and between the Richmond Community Redevelopment Agency (the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, and Union Bank of California, N.A., as trustee (the "Trustee"), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character in the Indenture set forth;

**W I T N E S S E T H :**

**WHEREAS**, the Agency has entered into the Indenture of Trust, dated as of July 1, 2007 (the "Master Indenture") by and between the Agency and the Trustee to provide for the issuance from time to time by the Agency of Bonds to finance costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan and to refund Outstanding Parity Obligations (capitalized terms used herein shall have the meanings given such terms pursuant to Section 1.03); and

**WHEREAS**, the Master Indenture authorizes the Agency and the Trustee to enter into Supplemental Indentures to provide for the issuance of Bonds; and

**WHEREAS**, the Agency desires to issue $65,400,000 aggregate principal amount of its 2007 Series A Bonds in order to provide a portion of the moneys to finance costs of the Project, fund reserves and pay certain costs in connection with the issuance of the 2007 Series A Bonds; and

**WHEREAS**, the Agency has determined that all acts and things have been done and performed which are necessary to make the Indenture, as supplemented by this First Supplemental Indenture, a valid and binding agreement for the security of the 2007 Series A Bonds authenticated and delivered hereunder;

**NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:**

That, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Master Indenture, the mutual covenants herein contained and the purchase and acceptance of the 2007 Series A Bonds by the Owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of, Redemption Price, if any, and interest on the 2007 Series A Bonds according to their tenor and effect, and the performance and observance by the Agency of all the covenants and conditions in the Indenture and in the 2007 Series A Bonds contained on its part to be performed, it is agreed by and between the Agency and the Trustee as follows:

## ARTICLE I

## AUTHORITY AND DEFINITIONS

**Section 1.01. Supplemental Indenture of Trust.** This First Supplemental Indenture is supplemental to the Master Indenture.

**Section 1.02. Authority for the First Supplemental Indenture of Trust.** This First Supplemental Indenture is entered into **(a)** pursuant to the Law and the Redevelopment Plan and **(b)** in accordance with Article II and Article VII of the Master Indenture.

**Section 1.03. Definitions.**

**(a)** Except as otherwise defined by this First Supplemental Indenture, all terms which are defined in Section 1.01 of the Master Indenture shall have the same meanings, respectively, in this First Supplemental Indenture as such terms are given in said Section 1.01 of the Master Indenture.

**(b) Additional Definitions.** The following terms shall, with respect to the 2007 Series A Bonds and for all purposes hereof, have the meanings set forth below:

"Additional Funding Amount" has the meaning ascribed to it in Section 4.07(e)(ii) hereof.

"Alternate Credit Support Instrument" means a bond insurance policy, financial guaranty, letter of credit, line of credit, standby purchase agreement or similar agreement or any combination thereof issued by a commercial bank or other financial institution and delivered to the Tender Agent in accordance with Section 4.09 hereof which replaces the Credit Support Instrument then in effect.

"ARBs" means, on any date, the 2007 Series A Bonds in an ARB Interest Rate Period as to which interest accrues on such date as auction rate securities as provided in Section 2.10 hereof and the Auction Procedures applicable thereto.

"ARB Beneficial Owner" means the Person who is the beneficial owner of an ARB according to the records of (i) the Securities Depository or its participants while such ARB is a Book-Entry Bond or (ii) the Trustee while the ARBs are not Book-Entry Bonds.

"ARB Default Rate" means the ARB Maximum Rate.

"ARB Interest Payment Date" has the meaning set forth in the Auction Procedures.

"ARB Interest Rate Period" has the meaning set forth in the Auction Procedures.

"ARB Maximum Rate" has the meaning set forth in the Auction Procedures.

"ARB Payment Default" means (i) a default in the due and punctual payment of any installment of interest on ARBs or (ii) a default in the due and punctual payment of any principal of or premium, if any, on ARBs at stated maturity or pursuant to a mandatory redemption.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means any initial or successor or additional Person meeting the requirements of Section 2.10(c) which is a party to an Auction Agent Agreement and agrees with the Trustee to perform the duties of the Auction Agent herein with respect to ARBs.

"Auction Agent Agreement" means, on any date, any initial, replacement or additional auction agent agreement in substantially the form of Exhibit D attached hereto, as from time to time in effect.

"Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.

"Auction Date" has the meaning set forth in the Auction Procedures.

"Auction Period" has the meaning set forth in the Auction Procedures.

"Auction Period Rate" has the meaning set forth in the Auction Procedures.

"Auction Procedures" means the procedures for conducting Auctions for ARBs during an ARB Interest Rate Period set forth in Exhibit B attached hereto.

"Authorized Denominations" means with respect to the 2007 Series A Bonds in any (i) Long-Term Interest Rate Period, $5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, $100,000 and any integral multiple of $5,000 in excess of $100,000, (iii) Index Interest Rate Period, $25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Available Moneys" means (a) during any period in which a Credit Support Instrument is in effect with respect to the Outstanding 2007 Series A Bonds, (i) funds received by the Trustee pursuant to any Credit Support Instrument; (ii) remarketing proceeds received by the Tender Agent from the Remarketing Agent or any purchaser of 2007 Series A Bonds (other than funds provided by the Agency or any affiliate of the Agency); (iii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or subaccount established under the Indenture in which no other moneys which are not Available Moneys are held, and (B) which have so been on deposit with the Trustee for at least 124 consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to a payment with respect to the 2007 Series A Bonds, no Event of Bankruptcy has occurred with respect to the Agency; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Owner of 2007 Series A Bonds is an "insider" within the meaning of

the Federal Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on 2007 Series A Bonds would not be recoverable from the Owners thereof pursuant to Section 550 of the Federal Bankruptcy Code as avoidable preferential payments under Section 547 of the Federal Bankruptcy Code in the event of the occurrence of an Event of Bankruptcy with respect to the Agency; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; or (b) during any period in which no Credit Support Instrument is in effect with respect to the Outstanding 2007 Series A Bonds, any moneys deposited with the Trustee.

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the 2007 Series A Bonds (including any Person holding 2007 Series A Bonds through nominees, depositories or other intermediaries).

"Bid" has the meaning provided in Section 2.01(a) of the Auction Procedures.

"Bond Purchase Fund" means the "2007 Series A Bond Purchase Fund" established pursuant to Section 4.07(a) hereof.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Auction Procedures, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference.

"Broker-Dealer Agreement" means, on any date, a broker-dealer agreement in substantially the form of Exhibit E attached hereto among the Trustee, the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

"Business Day" means any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day the city or cities in which the principal or other designated corporate office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Provider (if any) is located are required or authorized to close.

"Calendar Week" means, with respect to the 2007 Series A Bonds in a Weekly Interest Rate Period, the period during which interest accrues with respect to the 2007 Series A Bonds at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

"Commercial Paper Dealer" means each of RBC Capital Markets, Inc., its successors and assigns, and any other commercial paper dealer appointed as provided in the Auction Procedures.

"Commercial Paper Interest Rate Period" means each Interest Rate Period, comprised of Commercial Paper Terms, during which Commercial Paper Rates are in effect with respect to the 2007 Series A Bonds.

"Commercial Paper Rate" means, with respect to each 2007 Series A Bond in a Commercial Paper Interest Rate Period, an interest rate with respect to such 2007 Series A Bond established for a Commercial Paper Term in accordance with Section 2.07 hereof.

"Commercial Paper Term" means, with respect to any 2007 Series A Bond in a Commercial Paper Interest Rate Period, each period established in accordance with Section 2.07 hereof during which such 2007 Series A Bond shall bear interest at a particular Commercial Paper Rate.

"Conversion" means a conversion of the 2007 Series A Bonds from one Interest Rate Period to another Interest Rate Period and, with respect to 2007 Series A Bonds in a Long-Term Interest Rate Period, the establishment of another Long-Term Interest Rate Period for the 2007 Series A Bonds.

"Conversion Date" means the effective date of a Conversion.

"Daily Interest Rate" means an interest rate with respect to the 2007 Series A Bonds in a Daily Interest Rate Period established in accordance with Section 2.04 hereof.

"Daily Interest Rate Period" shall mean each Interest Rate Period during which Daily Interest Rates are in effect.

"Delivery Date" means July 12, 2007.

"Differential Interest Amount" shall have the meaning, if any, ascribed to such term in any Credit Support Instrument.

"Drawing Time" means, with respect to any Credit Support Instrument, the time specified therein by which the Tender Agent must submit a draw request in order to receive immediately available funds to pay the Purchase Price of on the 2007 Series A Bonds.

"Eligible Collateral" means, with respect to Qualified Swap Agreements and Qualified Caps the following:

| | | Valuation Percentage |
|---|---|---|
| 1. | Cash | 100% |
| 2. | Treasury Securities and Agency Notes with a remaining maturity of not more than one (1) year. | 100% |
| 3. | Treasury Securities and Agency Notes with a remaining maturity of more than one (1) year but not more than two (2) years. | 99% |
| 4. | Treasury Securities and Agency Notes with a remaining maturity of more than two (2) years but not more than five (5) years. | 98% |
| 5. | Treasury Securities and Agency Notes with a remaining maturity of more than five (5) years but not more than ten (10) years. | 97% |
| 6. | Treasury Securities and Agency Notes with a remaining maturity of more than ten (10) years. | 95% |

For purposes of the foregoing, "Agency Notes" shall mean negotiable debt obligations that are fully guaranteed as to both principal and interest by either (i) the Federal National Mortgage Association, (ii) the Government National Mortgage Association, or (iii) the Federal Home Loan Mortgage Corporation which are rated at least AA/Aa2 by S&P or Moody's, respectively.

"Existing Owner" means, with respect to any Auction, a person who is listed as the beneficial owner of ARBs in the records of the Auction Agent.

"Expiration Date" means (i) the date upon which a Credit Support Instrument is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Support Instrument, from time to time) or terminate in accordance with its terms, including without limitation, termination upon delivery of an Alternate Credit Support Instrument to the Trustee and (ii) the date upon which a Credit Support Instrument terminates following voluntary termination by the Agency pursuant to Section 4.10 hereof.

"First Supplemental Indenture" means that certain First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

"Fixed Index Interest Rate Conversion Date" means the Conversion Date for the 2007 Series A Bonds to an Index Interest Rate for which the Agency has irrevocably elected an Index Interest Rate Period ending on the day immediately preceding the Maturity Date.

"Fixed Rate Conversion Date" means the Conversion Date for the 2007 Series A Bonds to a Long-Term Interest Rate for a Long-Term Interest Rate Period ending on the day immediately preceding the Maturity Date.

"Flexible Auction Period" has the meaning set forth in the Auction Procedures.

"Hold Order" has the meaning provided in Section 2.01(a) of the Auction Procedures.

"Index" has the meaning, with respect to ARBs, provided in the Auction Procedures.

"Index Bond Calculation Period" for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

"Index Bond Reset Date" means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

"Index Bonds" means 2007 Series A Bonds bearing interest at an Index Interest Rate.

"Index Interest Rate" means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in this First Supplemental Indenture, but not to exceed the Maximum Interest Rate.

"Index Interest Rate Period" means each Interest Rate Period during which Index Interest Rates are in effect.

"Initial 2007 Series A Auction Agent" means Wells Fargo Bank, N. A., a national banking association.

"Initial 2007 Series A Broker-Dealer Agreement" means the Broker-Dealer Agreement, dated as of July 1, 2007, by and between the Auction Agent and the Initial 2007 Series A Broker-Dealer and maintained in accordance with Section 2.10(d) hereof.

"Initial 2007 Series A Broker-Dealer" means RBC Capital Markets, Inc.

"Interest Accrual Date" means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each March 1 and September 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

"Interest Payment Date" means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 and September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each 2007 Series A Bond in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

"Interest Rate Period" means a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period.

"Long-Term Conversion Date" means the date on which the 2007 Series A Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of Section 2.06 hereof and such term shall include the Fixed Rate Conversion Date for the 2007 Series A Bonds.

"Long-Term Interest Rate" means an interest rate with respect to the 2007 Series A Bonds during a Long-Term Interest Rate Period established in accordance with Section 2.06 hereof.

"Long-Term Interest Rate Period" means each Interest Rate Period during which a Long-Term Interest Rate is in effect with respect to the 2007 Series A Bonds.

"Maturity Date" means September 1, 2036.

"Maximum Interest Rate" means: (i) with respect to 2007 Series A Bonds other than ARBs and Credit Provider Bonds, twelve percent (12%) per annum; (ii) with respect to ARBs, the ARB Maximum Rate; and (iii) with respect to Credit Provider Bonds, twenty-five percent (25%) per annum; provided, however, that the Maximum Interest Rate for any 2007 Series A Bond shall not exceed the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law which, as of the date of this Trust Agreement, is twelve percent (12%) per annum for all 2007 Series A Bonds other than Credit Provider Bonds.

"MMD" means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Agency. The MMD as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Adjusted Rate" means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Initial Rate" means the applicable rate for each Index Bond as designated by the Agency at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

"MMD Maturity" means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to a Series of Index Bonds.

"Notice of ARB Payment Default" means notice pursuant to Section 2.10(b) to the Auction Agent and each Broker-Dealer that there has been an ARB Payment Default.

"Notice of Cure of ARB Payment Default" means a notice substantially in the form of Exhibit C attached hereto.

"Notice of Mandatory Tender" means the notice provided in the Credit Support Instrument to the effect that Credit Provider's obligation to advance funds under a Credit Support Instrument terminates as of the date specified in such notice due to the occurrence of an event of default under such Credit Support Instrument (other than an event of default under such Credit Support Instrument which causes such Credit Support Instrument to terminate immediately without notice or demand).

"Order" means a Hold Order, Bid or Sell Order.

"Participant" means an entity which is recognized as a participant in the book-entry system of maintaining records with respect to the ownership of 2007 Series A Bonds by the Securities Depository.

"Potential Owner" means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in ARBs, in addition to the ARBs currently owned by such person, if any.

"Principal Office" means, (i) with respect to the Tender Agent, the office thereof designated in writing to the Trustee; (ii) with respect to the Remarketing Agent, the address for the Remarketing Agent designated in the Remarketing Agreement with such Remarketing Agent and (iii) with respect to the Auction Agent, the office thereof designated in writing to the Trustee and each Broker-Dealer.

"Proper Delivery" means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof in connection with any optional or mandatory tender of such Tendered Bond for purchase pursuant to Section 4.01, 4.02, 4.03 or 4.04 hereof: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

"Purchase Date" means, with respect to each Tendered Bond, the date on which such Tendered Bond is tendered or deemed tendered for purchase pursuant to Section 4.01, 4.02, 4.03 or 4.04 hereof.

"Purchase Price" means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date as provided for the payment of interest on 2007 Series A Bonds herein and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price determined pursuant to Section 4.01(c) hereof which would have been applicable to the redemption of such Tendered Bond on such Purchase Date pursuant to Section 4.01(c) hereof if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

"Rebate Fund" means the fund designated as the "2007 Series A Rebate Fund" established in Section 6.02 hereof.

"Rebate Instructions" means those calculations and written directions required to be delivered to the Trustee by the Agency pursuant to Section 6.01 hereof.

"Rebate Requirement" means the Rebate Requirement as defined in the 2007 Series A Tax Certificate.

"Record Date" means (i) with respect to each Interest Payment Date for 2007 Series A Bonds in a Daily Interest Rate Period, the last day of the calendar month preceding the month in which such Interest Payment Date falls, (ii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Weekly Interest Rate Period, Index Interest Rate Period or a Commercial Paper Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (iii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Long-Term Interest Rate Period, the fifteenth day of the month preceding the month in which such Interest Payment Date falls, and (iv) with respect to each Interest Payment Date for 2007 Series A Bonds which are ARBs, the second Business Day next preceding the applicable ARB Interest Payment Date.

"Remarketing Agent" means any initial, successor or additional remarketing agent appointed with respect to the 2007 Series A Bonds.

"Remarketing Agreement" shall mean the agreement or instrument pursuant to which a Remarketing Agent for the 2007 Series A Bonds shall perform its services.

"Remarketing Proceeds Account" means the account by that name within the Bond Purchase Fund established pursuant to Section 4.07 hereof.

"Required Stated Amount" means with respect to a Credit Support Instrument, at any time of calculation, an amount equal to the aggregate principal amount of all Outstanding 2007 Series A Bonds as to which the Purchase Price is payable pursuant to Section 4.09(c)(ii) hereof from the proceeds of a drawing on such Credit Support Instrument, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a certificate of an Authorized Agency Representative to be the minimum period specified by each Rating Agency then rating such 2007 Series A Bonds as necessary to obtain (or maintain) a specified short-term rating of the 2007 Series A Bonds.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sell Order" has the meaning set forth in the Auction Procedures.

"SIFMA Index" means the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the

interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax.

"Sinking Fund Installment" means, with respect to the 2007 Series A Bonds, the amount required by Section 3.01(f) hereof to be paid by the Agency on any single date for the retirement of 2007 Series A Bonds.

"Statutory Corporate Tax Rate" means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date hereof is 35%.

"Submitted Bid" has the meaning specified in the Auction Procedures.

"Submitted Hold Order" has the meaning specified in the Auction Procedures.

"Submitted Order" has the meaning specified in the Auction Procedures.

"Submitted Sell Order" has the meaning specified in the Auction Procedures.

"Sufficient Clearing Bids" has the meaning specified in the Auction Procedures.

"Tender Agent" means the Trustee, or any successor tender agent appointed pursuant to Section 4.12 hereof.

"Tendered Bond" means any 2007 Series A Bond (or the portion of any 2007 Series A Bond) tendered or deemed tendered for purchase pursuant to Section 4.01, 4.02, 4.03 or 4.04 hereof.

"2007 Series A Bond Insurance Policy" means the financial guaranty insurance policy issued by 2007 Series A Bond Insurer insuring the payment when due of the principal of and interest on the 2007 Series Bonds as provided therein.

"2007 Series A Bond Insurer" means MBIA Insurance Corporation, a New York stock insurance company, or its successors and assigns.

"2007 Series Bonds" means the 2007 Series A Bonds.

"2007 Series A Bonds" means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A, authorized by Article II hereof.

"2007 Series A Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of July 1, 2007, by and among the Agency, the Trustee, and MuniFinancial, a dissemination agent, relating to the 2007 Series A Bonds, as the same may be amended from time to time.

"2007 Series A Costs of Issuance Fund" means the 2007 Series A Costs of Issuance Fund established pursuant to Section 5.02 hereof.

"2007 Series A Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series A Coverage Reserve Subaccount pursuant to Section 5.04 of this First Supplemental Indenture.

"2007 Series A Coverage Reserve Subaccount" means the account by that name established within the Reserve Account pursuant to Section 5.04 of this First Supplemental Indenture."

"2007 Series A Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least one hundred percent (100%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by this section, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in Section 7.02), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"2007 Series A Project Fund" means the 2007 Series A Project Fund established pursuant to Section 5.03 hereof.

"2007 Series A Surety Bond" means the surety bond issued by the 2007 Series A Bond Insurer in satisfaction of the Debt Service Reserve Requirement with respect to the 2007 Series A Bonds. The 2007 Series A Surety Bond is a Reserve Financial Guaranty under the Master Indenture.

"2007 Series A Tax Certificate" means that certain Tax Certificate and Agreement signed by the Agency on the Delivery Date and relating to the requirements of Section 148 of the Code.

"2007 Swap" means the transaction entered into pursuant to that certain Master Agreement, dated as of June 26, 2007 as supplemented by the Schedule, dated June 26, 2007 and evidenced by the Confirmation, dated as of June 26, 2007, each between the Agency and Royal Bank of Canada. The 2007 Swap constitutes a Qualified Swap Agreement hereunder.

"Undelivered Bond" means, with respect to each Purchase Date, each Tendered Bond subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Bond to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Bond shall be considered an Undelivered Bond on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Bonds to pay in full the applicable Purchase Price of all Tendered Bonds due on such Purchase Date.

"Variable Index" means the SIFMA Index. If for any reason the SIFMA Index for any rate determination date is not announced or is otherwise unavailable or is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index", the Variable Index for such rate determination date shall be an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all Tax-Exempt bonds are subject to such tax. If no such index is so selected by the Remarketing Agent or if any such index is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index," the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

"Weekly Interest Rate" means an interest rate with respect to the 2007 Series A Bonds in a Weekly Interest Rate Period established in accordance with Section 2.05 hereof.

"Weekly Interest Rate Period" means each Interest Rate Period during which Weekly Interest Rates are in effect.

**Section 1.04. Interpretation.**

**(a)** Unless the context otherwise indicates, defined terms shall include all variants thereof, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

**(b)** Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

**(c)** References herein to the Securities Depository shall include both the Securities Depository and any nominee of the Securities Depository in whose name the 2007 Series A Bonds may be registered.

**(d)** Unless otherwise indicated, references herein to Articles and Sections shall be to the Articles and Sections of this First Supplemental Indenture. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this First Supplemental Indenture as a whole and not to any particular Article, Section or subdivision hereof.

**(e)** References herein to the Owner of an Undelivered Bond shall refer to the Person listed as the registered owner of such Undelivered Bond at the commencement of the applicable Purchase Date and not the Person listed as the registered owner of the 2007 Series A Bond sold to the Person purchasing such Undelivered Bond on the applicable Purchase Date.

## ARTICLE II

## THE 2007 SERIES A BONDS

**Section 2.01. Principal Amount and Designation; Conditions to Issuance. (a)** Pursuant to the provisions of the Master Indenture and this First Supplemental Indenture and the provisions of the Law and the Redevelopment Plan, a Series of Bonds entitled to the benefit, protection and security of such provisions are hereby authorized in the aggregate principal amount of $65,400,000. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A." The 2007 Series A Bonds shall be in substantially the form attached hereto as Exhibit A with such variations and omissions as are necessary to reflect the particular terms of each 2007 Series A Bond.

**(b)** The 2007 Series A Bonds are issued for the purpose of providing a portion of the moneys to finance costs of the Project and to pay certain costs in connection with the issuance of the 2007 Series A Bonds.

**(c)** All (but not less than all) of the 2007 Series A Bonds shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order but only upon

receipt by the Trustee of the items required pursuant to Section 2.04 and Section 2.07 of the Master Indenture with respect to the 2007 Series A Bonds.

**Section 2.02. Terms of the 2007 Series A Bonds; Registration; Denominations; Payment of Principal and Interest. (a)** The 2007 Series A Bonds shall be issued as fully registered Bonds without coupons in Authorized Denominations. The 2007 Series A Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, the initial Securities Depository, and shall be evidenced by one bond certificate in the total aggregate principal amount of the 2007 Series A Bonds. Registered ownership of the 2007 Series A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 3.04 of the Master Indenture.

**(b)** The 2007 Series A Bonds shall be dated the Delivery Date.

**(c)** Except as otherwise provided in subsection (d) of this Section and in any Credit Support Instrument with respect to Credit Provider Bonds, the 2007 Series A Bonds shall mature on the Maturity Date.

**(d)** The Sinking Fund Installments established for the 2007 Series A Bonds pursuant to Section 3.01(f) hereof shall be redesignated as maturity dates and Sinking Fund Installments for the 2007 Series A Bonds on the Fixed Rate Conversion Date for the 2007 Series A Bonds as follows:

(i) If the Fixed Rate Conversion Date is on or before September 1, 2008, principal of the 2007 Series A Bonds shall mature in twenty-nine (29) serial maturities in amounts equal to the Sinking Fund Installments established for such dates pursuant to Section 3.01(f) hereof commencing on the September 1 immediately succeeding the Fixed Rate Conversion Date, and on September 1 of each of the succeeding years, and (ii) in a term maturity on the Maturity Date for the remaining 2007 Series A Bonds, or as otherwise determined by the Agency and the Trustee.

(ii) Sinking Fund Installments for the 2007 Series A Bonds established pursuant to subparagraph (i) above shall be in principal amounts equal to the Sinking Fund Installments established for such dates pursuant to Section 3.01(f) hereof and be payable on September 1 of each year, commencing on September 1 of the year immediately following the final serial maturity established for the 2007 Series A Bonds pursuant to subparagraph (i) above and ending on Maturity Date.

(iii) Notwithstanding anything above to the contrary, if, a Favorable Opinion of Bond Counsel is not received by the Agency in connection with the serialization of the 2007 Series A Bonds pursuant to this subsection (d), then no such serialization shall occur.

**(e)** The 2007 Series A Bonds shall be subject to redemption as provided in Article III and optional and mandatory tender for purchase as provided in Article IV.

**(f)** The Trustee shall identify all payments (whether made by check or by wire transfer) of interest, principal, Purchase Price and Redemption Price by CUSIP number of the 2007 Series A Bonds.

**(g)** The first Interest Rate Period for the 2007 Series A Bonds shall be an ARB Interest Rate Period commencing on the Delivery Date consisting of a thirty five day (35)-day Auction Period with an initial Auction Period Rate of 3.990% per annum.

**Section 2.03. Payment of Principal and Interest.**

**(a)** The term of the 2007 Series A Bonds will be divided into consecutive Interest Rate Periods, each of which will be one of the following: (i) a Daily Interest Rate Period during which interest on the 2007 Series A Bonds will accrue at Daily Rates; (ii) a Weekly Interest Rate Period during which interest on the 2007 Series A Bonds will accrue at Weekly Interest Rates; (iii) a Long-Term Interest Rate Period, during which interest on the 2007 Series A Bonds will accrue at a Long-Term Interest Rate; (iv) a Commercial Paper Interest Rate Period during which interest on the 2007 Series A Bonds will accrue at Commercial Paper Interest Rates; (v) an Index Interest Rate Period during which interest on the 2007 Series A Bonds will accrue at Index Interest Rates; or (vi) an ARB Interest Rate Period during which interest on the 2007 Series A Bonds will accrue at Auction Period Rates.

**(b)** Interest on the 2007 Series A Bonds will accrue at the rates determined pursuant to this Article II; provided, however, that in no event shall the rate of interest on any 2007 Series A Bond exceed at any time the applicable Maximum Interest Rate. If an Event of Default shall have occurred prior to the Fixed Rate Conversion Date and shall be continuing, the interest rate with respect to the 2007 Series A Bonds during the period such Event of Default continues shall be the Maximum Interest Rate except that the interest rate on any Credit Provider Bonds shall be determined as provided in the applicable Credit Support Instrument and that the interest rate on ARBs shall be determined as provided in Section 2.10.

**(c)** Interest on each 2007 Series A Bond shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date, from such Interest Accrual Date or if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date; provided, however, that if, as shown by the Bond Register, interest on the 2007 Series A Bonds shall be in default, interest on 2007 Series A Bonds issued in exchange for 2007 Series A Bonds surrendered for registration of transfer or exchange shall accrue from the date to which interest has been paid in full on the 2007 Series A Bonds or, if no interest has been paid on the 2007 Series A Bonds, from the Delivery Date. For each Daily Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date prior to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For each Weekly Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date

for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For each Commercial Paper Interest Rate Period interest on each 2007 Series A Bond shall be payable on each Interest Payment Date for such 2007 Series A Bond for the period commencing on (and including) the immediately preceding Interest Accrual Date for such 2007 Series A Bond and ending on the day immediately preceding such Interest Payment Date. For each Long-Term Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date which is a March 1 or September 1 for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date and for each Interest Payment Date which is not a March 1 or September 1, for the period commencing on (and including) the second immediately preceding Interest Accrual Date and ending on the day before the immediately preceding Interest Accrual Date. For each Index Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month to (but excluding) such Interest Payment Date. For each ARB Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each ARB Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the 2007 Series A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the 2007 Series A Bonds shall have been paid in full.

**(d)** Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months. Interest shall be computed, in the case of an ARB Interest Rate Period of less than 180 days, on the basis of a 360-day year and the number of days actually elapsed. Interest shall be computed, in the case of an ARB Interest Rate Period equal to or more than 180 days, on the basis of a 360-day year of twelve 30-day months. Interest shall be computed, in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed.

**(e)** The principal or Redemption Price of the 2007 Series A Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Trustee upon surrender of the 2007 Series A Bonds to the Trustee for cancellation; provided that the Trustee may agree with the Owner of any 2007 Series A Bond that such Owner may, in lieu of surrendering the same for a new 2007 Series A Bond, endorse on such 2007 Series A Bond a record of partial payment of the principal of such 2007 Series A Bond in the form set forth below (which shall be typed or printed on such 2007 Series A Bond):

PAYMENTS ON ACCOUNT OF PRINCIPAL

| Payment Date | Principal Amount Paid | Balance of Principal Amount Unpaid | Signature of Owner |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

The Trustee shall maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Trustee shall be conclusive. Such partial payment shall be valid upon payment of the amount thereof to the Owner of such 2007 Series A Bond, and the Agency and the Trustee shall be fully released and discharged from all liability to the extent of such payment regardless of whether such endorsement shall or shall not have been made upon such 2007 Series A Bond by the Owner thereof and regardless of any error or omission in such endorsement.

**(f)** Notwithstanding the foregoing provisions of this Section, the interest rate and payment terms of any Credit Provider Bonds shall be governed by the provisions of the applicable Credit Support Instrument.

**Section 2.04. Daily Interest Rate Period.**

**(a) Determination of Daily Interest Rates.** During each Daily Interest Rate Period, the 2007 Series A Bonds shall bear interest at Daily Interest Rates, which, except as otherwise provided herein, shall be determined by the Remarketing Agent by no later than 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding day if the Daily Interest Rate for such preceding day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the SIFMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided herein for such Daily Interest Rate Period.

(b) **Conversion to Daily Interest Rate Period.** Subject to Section 2.09 hereof, at any time, the Agency, by written direction to the Trustee (with copies to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), may elect that the Interest Rate Period for the 2007 Series A Bonds be Converted to a Daily Interest Rate Period. Such direction of the Agency shall specify (i) the proposed Conversion Date of such Conversion to a Daily Interest Rate Period, which shall be (1) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Weekly Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (3) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the 2007 Series A Bonds otherwise would be subject to optional redemption pursuant to Section 4.01(c) if such Conversion did not occur, (4) in the case of a Conversion from a Commercial Paper Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period, (5) in the case of a Conversion from an Index Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction and (6) in the case of a Conversion from an ARB Interest Rate Period, an ARB Interest Payment Date; and (ii) if the Conversion is not from a Weekly Interest Rate Period, the Purchase Date for the 2007 Series A Bonds in connection with the mandatory tender of 2007 Series A Bonds for purchase as a result of such Conversion to a Daily Interest Rate Period. In addition, such direction shall be accompanied by (1) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the proposed Conversion Date with respect to the Conversion of the 2007 Series A Bonds to the Daily Interest Rate Period and (2) a form of the notice to be mailed by the Trustee to the Owners of the 2007 Series A Bonds as provided in Section 2.04(c).

(c) **Notice of Conversion to Daily Interest Rate Period.** The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) to the Owners of the 2007 Series A Bonds of a Conversion of the 2007 Series A Bonds to a Daily Interest Rate Period not less than thirty (30) days prior to the proposed Conversion Date to such Daily Interest Rate Period. Such notice shall state: (i) that, subject to the satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to a Daily Interest Rate Period unless the Agency rescinds its election to Convert the Interest Rate Period for the 2007 Series A Bonds pursuant to Section 2.09(a) hereof; (ii) the proposed Conversion Date to a Daily Interest Rate Period; and (iii) except for the Conversion of the 2007 Series A Bonds to a Daily Interest Rate Period from a Weekly Interest Rate Period that: (A) all 2007 Series A Bonds are subject to mandatory tender for purchase on the Conversion Date to the Daily Interest Rate Period, (B) that the 2007 Series A Bonds (other than ARBs) are subject to mandatory tender for purchase on the proposed Conversion Date even if the proposed Conversion to a Daily Interest Rate Period does not occur, (C) the applicable Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion, and (D) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of such 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

**Section 2.05. Weekly Interest Rate Period.**

**(a) Determination of Weekly Interest Rates.** During each Weekly Interest Rate Period, the 2007 Series A Bonds shall bear interest at Weekly Interest Rates, which, except as otherwise provided herein, shall be determined for each Calendar Week by the Remarketing Agent by no later than 5:00 p.m., New York City time, on the Wednesday immediately preceding each Calendar Week, or if such day shall not be a Business Day, then by 12:00 noon, New York City time, on the next succeeding Business Day; provided, however, that if the 2007 Series A Bonds are to be Converted to a Weekly Interest Rate Period from another Interest Rate Period, the Weekly Interest Rate for the initial Calendar Week of such Weekly Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any Calendar Week, then the Weekly Interest Rate for such Calendar Week shall be the same as the Weekly Interest Rate for the immediately preceding Calendar Week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding Calendar Week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such Calendar Week shall be equal to the Variable Index on the day such Weekly Interest Rate would otherwise be determined as provided herein.

**(b) Conversion to Weekly Interest Rate Period.** Subject to Section 2.09, at any time, the Agency, by written direction to the Trustee (with copies to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), may elect that the Interest Rate Period for the 2007 Series A Bonds be Converted to a Weekly Interest Rate Period. Such direction of the Agency shall specify (i) the proposed Conversion Date of such Conversion to a Weekly Interest Rate Period, which shall be (1) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Daily Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (3) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the 2007 Series A Bonds otherwise would be subject to optional redemption pursuant to Section 4.01(c) if such Conversion did not occur, (4) in the case of a Conversion from a Commercial Paper Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period, (5) in the case of a Conversion from an Index Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction and (6) in the case of a Conversion from an ARB Interest Rate Period, an ARB Interest Payment Date; and (ii) if the Conversion is not from a Daily Interest Rate Period, the Purchase Date for the 2007 Series A Bonds in connection with the mandatory tender of 2007 Series A Bonds for purchase as a result of such Conversion to a Weekly Interest Rate Period. In

addition, such direction shall be accompanied by (1) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the proposed Conversion Date with respect to the Conversion of the 2007 Series A Bonds to the Weekly Interest Rate Period and (2) a form of the notice to be mailed by the Trustee to the Owners of the 2007 Series A Bonds as provided in Section 2.05(c) hereof.

(c) **Notice of Conversion to Weekly Interest Rate Period.** The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) to the Owners of the 2007 Series A Bonds of a Conversion of the 2007 Series A Bonds to a Weekly Interest Rate Period not less than thirty (30) days prior to the proposed Conversion Date to such Weekly Interest Rate Period. Such notice shall state: (i) that, subject to the satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to a Weekly Interest Rate Period unless the Agency rescinds its election to Convert the Interest Rate Period for the 2007 Series A Bonds pursuant to Section 2.09(a) hereof; (ii) the proposed Conversion Date to a Weekly Interest Rate Period, and (iii) except for the Conversion of the 2007 Series A Bonds to a Weekly Interest Rate Period from a Daily Interest Rate Period that: (A) all 2007 Series A Bonds are subject to mandatory tender for purchase on the Conversion Date, (B) that all 2007 Series A Bonds (other than ARBs) are subject to such mandatory tender for purchase on the proposed Conversion Date even if the proposed Conversion to a Weekly Interest Rate Period does not occur, (C) the applicable Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion, and (D) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of such 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

**Section 2.06. Long-Term Interest Rate Period.**

(a) **Determination of Long-Term Interest Rate.** During each Long-Term Interest Rate Period with respect to the 2007 Series A Bonds, the 2007 Series A Bonds shall bear interest at the applicable Long-Term Interest Rate. The Long-Term Interest Rate for each Long-Term Interest Rate Period shall not exceed the Maximum Interest Rate and shall be determined by the Remarketing Agent on a Business Day no later than the Long-Term Conversion Date to such Long-Term Interest Rate Period. Subject to the provisions of Section 2.06(d) hereof, the Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds on such date at a price (without regard to accrued interest) equal to the principal amount thereof.

(b) **Conversion to Long-Term Interest Rate Period.**

(i) Subject to Section 2.09 hereof, at any time, the Agency, by written direction to the Trustee (with copies sent to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), may elect that the Interest Rate Period for the 2007 Series A Bonds shall be Converted to a Long-Term Interest Rate Period. Such direction of the Agency (1)

shall specify the duration of the Long-Term Interest Rate Period; (2) shall specify the proposed Conversion Date to the Long-Term Interest Rate Period, which date shall be (a) a Business Day not earlier than the thirtieth (30th) day following the second Business Day following receipt by the Trustee of such direction, (b) in the case of a Conversion from a Daily Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (c) in the case of a Conversion from a Weekly Interest Rate Period, the Interest Payment Date which is not less than thirty days following the second Business Day after receipt by the Trustee of such direction, (d) in the case of the establishment of a Long-Term Interest Rate Period following a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the 2007 Series A Bonds otherwise would be subject to optional redemption pursuant to Section 4.01(c) if such Conversion did not occur, (e) in the case of a Conversion from a Commercial Paper Interest Rate Period to a Long-Term Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period, (f) in the case of a Conversion from an Index Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, and (g) in the case of a Conversion from an ARB Interest Rate Period, an ARB Interest Payment Date; (3) shall specify the last day of such Long-Term Interest Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least one hundred eighty-one (181) days after the proposed Conversion Date); and (4) with respect to any such Long-Term Interest Rate Period, may specify redemption prices and Redemption Dates which are different than those set forth in Section 4.01(c) hereof, if approved by Bond Counsel as provided in Section 2.05(b)(ii) hereof.

(ii) The direction of the Agency described in Section 2.06(b)(i) hereof shall be accompanied by a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the proposed Long-Term Conversion Date with respect to the Conversion of the 2007 Series A Bonds to such Long Term Interest Rate Period and by a form of the notice to be mailed by the Trustee to the Owners of the 2007 Series A Bonds as provided in Section 2.06(c) hereof.

(iii) If, by the twenty-ninth (29th) day prior to the last day of any Long-Term Interest Rate Period for the 2007 Series A Bonds which ends on a day other than the day immediately preceding the Maturity Date, the Trustee shall not have received notice of the Agency's election that, during the next succeeding Interest Rate Period, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to another Interest Rate Period or that another Long-Term Interest Rate Period is to be established for the 2007 Series A Bonds, the Interest Rate Period for the 2007 Series A Bonds shall automatically Convert to a Weekly Interest Rate Period with a Conversion Date of the day following such Long-Term Interest Rate Period.

(iv) After the Fixed Rate Conversion Date, the 2007 Series A Bonds shall no longer be subject to or have the benefit of the provisions of Article IV hereof.

(c) **Notice of Conversion to Long-Term Interest Rate Period.** The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) of a Conversion to a Long-Term Interest Rate Period to the Owners of the 2007 Series A Bonds not less than thirty (30) days prior to the proposed Long-Term Conversion Date to such Long-Term Interest Rate Period. Such notice shall state: (i) that, subject to the satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to a Long-Term Interest Rate Period or to a new Long-Term Interest Rate Period unless the Agency rescinds its election to Convert the Interest Rate Period for the 2007 Series A Bonds pursuant to Section 2.09(a) hereof; (ii) the duration of such Long-Term Interest Rate Period; (iii) the proposed Long-Term Conversion Date to such Long-Term Interest Rate Period; (iv) that all 2007 Series A Bonds are subject to mandatory tender for purchase on the Conversion Date; (v) that all 2007 Series A Bonds (other than ARBs) are subject to such mandatory tender for purchase on the proposed Conversion Date even if the proposed Conversion to a Long-Term Interest Rate Period does not occur; (vi) the applicable Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion, and (vii) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of the 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

(d) **Remarketing at Premium or Discount.** Notwithstanding the provisions of Section 2.06(a), the Long-Term Interest Rate for a Long-Term Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds at a price (without regard to accrued interest) which will result in the lowest net interest cost for the 2007 Series A Bonds, after taking into account any premium or discount at which the 2007 Series A Bonds are sold by the Remarketing Agent, provided that:

(i) The Remarketing Agent certifies to the Trustee, the Tender Agent, the Credit Provider (if any) and the Agency that the sale of the 2007 Series A Bonds at the interest rate and premium or discount specified by the Remarketing Agent is expected to result in the lowest net interest cost for the 2007 Series A Bonds on the Long-Term Conversion Date;

(ii) the Agency consents in writing to the sale of the 2007 Series A Bonds by the Remarketing Agent at such premium or discount;

(iii) The remarketing proceeds available on the Conversion Date and the amount made available under the Credit Support Instrument (if any) on the proposed Long-Term Conversion Date shall not be less than the amount required to purchase all of the Tendered Bonds at the applicable Purchase Price (unless the Agency, in its sole discretion, transfers, or causes to be transferred, to the Tender Agent for application to such Purchase Price, Available Moneys in the amount of such deficiency on or before the Long-Term Conversion Date in funds which will be immediately available on the Long-Term Conversion Date);

(iv) On or before the date of the determination of the Long-Term Interest Rate, the Agency delivers to the Trustee and the Remarketing Agent a letter of Bond Counsel to the effect that Bond Counsel expects to be able to give a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date with respect to the sale of the 2007 Series A Bonds at such premium or discount; and

(v) On or before the Long-Term Conversion Date, a Favorable Opinion of Bond Counsel with respect to the sale of the 2007 Series A Bonds at such premium or discount shall have been received by the Trustee.

**Section 2.07. Commercial Paper Interest Rate Period.**

**(a) Determination of Commercial Paper Terms and Commercial Paper Term Rates.** During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall bear interest during each Commercial Paper Term for such 2007 Series A Bond at the Commercial Paper Term Rate for such 2007 Series A Bond determined as provided in this Section 2.07. The Commercial Paper Term and the Commercial Paper Term Rate need not be the same for all the 2007 Series A Bonds, even if determined on the same date. Each of such Commercial Paper Terms and Commercial Paper Term Rates for each 2007 Series A Bond shall be determined by the Remarketing Agent no later than the first day of each Commercial Paper Term. Each Commercial Paper Term shall be for a period of days within the range or ranges announced as possible Commercial Paper Terms no later than 9:30 a.m., New York City time, on the first day of each Commercial Paper Term by the Remarketing Agent. Each Commercial Paper Term for each 2007 Series A Bond shall be a period of not more than one hundred eighty (180) days, shall end not later than twenty (20) Business Days prior to the Expiration Date of the Credit Support Instrument, and shall be determined by the Remarketing Agent to be the period, except as provided by Section 2.07(d) hereof, which, together with all other Commercial Paper Terms for all 2007 Series A Bonds then Outstanding, will result in the lowest overall interest expense on the 2007 Series A Bonds over the next succeeding one hundred eighty (180) days. Each Commercial Paper Term shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date. If, for any reason, a Commercial Paper Term for any 2007 Series A Bond cannot be so determined by the Remarketing Agent, or if the determination of such Commercial Paper Term is held by a court of law to be invalid or unenforceable, then such Commercial Paper Term shall be thirty (30) days, but if the last day so determined shall not be a day immediately preceding a Business Day, shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, shall end on the day immediately preceding the Maturity Date. In determining the number of days in each Commercial Paper Term, the Remarketing Agent shall take into account the following factors: (i) existing short-term, tax-exempt market rates and indices of such short-term rates; (ii) the existing market supply and demand for short-term Tax-Exempt securities; (iii) existing yield curves for short-term and long-term Tax-Exempt securities of credit quality comparable to the 2007 Series A Bonds; (iv) general economic conditions; (v) industry economic and financial conditions that may affect or be relevant to the 2007 Series A Bonds; (vi) the Commercial Paper Terms of other 2007 Series A Bonds; and (vii) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

The Commercial Paper Term Rate for each Commercial Paper Term for each 2007 Series A Bond during a Commercial Paper Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by such 2007 Series A Bond, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell such 2007 Series A Bond on the effective date of such rate at a price equal to the principal amount thereof. If, for any reason, a Commercial Paper Term Rate for any 2007 Series A Bond is not so established by the Remarketing Agent for any Commercial Paper Term, or if such Commercial Paper Term Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Term Rate for such Commercial Paper Term shall be the rate per annum equal to the Variable Index on the first day of such Commercial Paper Term.

**(b) Conversion to Commercial Paper Interest Rate Period.** Subject to Section 2.09 hereof, at any time, the Agency, by written direction to the Trustee (with a copy to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), may elect to Convert the Interest Rate Period for the 2007 Series A Bonds to a Commercial Paper Interest Rate Period. Such direction of the Agency shall specify (i) the proposed Conversion Date to the Commercial Paper Interest Rate Period (during which the 2007 Series A Bonds shall bear interest at Commercial Paper Term Rates) which shall be (1) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Daily Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (3) in the case of a Conversion from a Weekly Interest Rate Period, the Interest Payment Date which is not less than thirty days following the second Business Day after receipt by the Trustee of such direction, (4) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the 2007 Series A Bonds otherwise would be subject to optional redemption pursuant to Section 4.01(c) hereof if such Conversion did not occur, (5) in the case of a Conversion from an Index Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, and (6) in the case of a Conversion from an ARB Interest Rate Period, an ARB Interest Payment Date; and (ii) the Purchase Date for the 2007 Series A Bonds in connection with the mandatory tender of the 2007 Series A Bonds for purchase as a result of the Conversion to Commercial Paper Interest Rate Period. In addition, the direction of the Agency shall be accompanied by (1) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the proposed Conversion Date with respect to the Conversion of the 2007 Series A Bonds to the Commercial Paper Interest Rate Period and (2) a form of the notice to be mailed by the Trustee to the Owners of the 2007 Series A Bonds as provided in Section 2.09(c) hereof. During each Commercial Paper Interest Rate Period for the 2007 Series A Bonds, each 2007 Series A Bond shall bear interest at a Commercial Paper Term Rate during each Commercial Paper Term for such 2007 Series A Bond.

**(c) Notice of Conversion to Commercial Paper Interest Rate Period.** The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) to the Owners of the 2007 Series A Bonds of a Conversion to a Commercial Paper Interest Rate Period not less than thirty (30) days prior to the proposed Conversion Date to such Commercial Paper Interest Rate Period. Such notice shall state: (i) that, subject to the

satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to a Commercial Paper Interest Rate Period unless the Agency rescinds its election to Convert the Interest Rate Period for the 2007 Series A Bonds pursuant to Section 2.09(a) hereof; (ii) the proposed Conversion Date to such Commercial Paper Interest Rate Period; (iii) that all 2007 Series A Bonds are subject to mandatory tender for purchase on the Conversion Date; (iv) that all 2007 Series A Bonds (other than ARBs) are subject to such mandatory tender for purchase even if the proposed Conversion to a Commercial Paper Interest Rate Period does not occur; (v) the applicable Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion; and (vi) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of the 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

**(d) Conversion from Commercial Paper Interest Rate Period.** If the Agency elects to Convert the 2007 Series A Bonds from a Commercial Paper Interest Rate Period to another Interest Rate Period, the latest date on which Commercial Paper Terms for the 2007 Series A Bonds in effect on the date the Remarketing Agent receives a copy of the direction of the Agency to Convert the 2007 Series A Bonds to another Interest Rate Period ends shall be the last day of the then-current Commercial Paper Interest Rate Period and the day next succeeding such date shall be the Conversion Date to the Interest Rate Period for the 2007 Series A Bonds elected by the Agency. Notwithstanding the provisions of Section 2.07(a) hereof, upon receipt of a copy of the direction of the Agency to Convert the 2007 Series A Bonds from a Commercial Paper Interest Rate Period to another Interest Rate Period, the Remarketing Agent shall not establish a Commercial Paper Term during such Commercial Paper Interest Rate Period which ends on or after the proposed Conversion Date to the new Interest Rate Period.

**Section 2.08. Index Interest Rate Period.**

**(a) Determination of Index Interest Rates.** During each Index Interest Rate Period, the 2007 Series A Bonds shall bear interest at Index Interest Rates. The Index Interest Rate for the 2007 Series A Bonds for each Index Bond Calculation Period shall be calculated as the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period. Such rate shall be multiplied against the face amount of the Index Bonds to determine the interest payable on the Interest Payment Date following such Index Bond Calculation Period (but shall not exceed the Maximum Interest Rate). All percentages resulting from any step in the calculation of interest on Index Bonds will be rounded, if necessary, to the nearest ten-thousandth of a percentage point (i.e., to five decimal places) with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on Index Bonds will be rounded to the nearest cent (with one-half cent being rounded upward). (For example, a rate of 3.476285% will be rounded to 3.47629%.)

(b) **Conversion to Index Interest Rate Period.**

(i) Subject to Section 2.09 hereof, at any time, the Agency, by written direction to the Trustee (with copies to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), may elect that the Interest Rate Period for the 2007 Series A Bonds be Converted to an Index Interest Rate Period. Such direction of the Agency shall specify (i) the proposed Conversion Date of such Conversion to an Index Interest Rate Period, which shall be (1) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Daily Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (3) in the case of a Conversion from a Weekly Interest Rate Period, the Interest Payment Date which is not less than thirty days following the second Business Day after receipt by the Trustee of such direction, (4) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the 2007 Series A Bonds otherwise would be subject to optional redemption pursuant to Section 4.01(c) if such Conversion did not occur, (5) in the case of a Conversion from a Commercial Paper Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period and (6) in the case of a Conversion from an ARB Interest Rate Period, an ARB Interest Payment Date; (ii) whether such Conversion Date will constitute the Fixed Index Interest Rate Conversion Date; and (iii) the Purchase Date for the 2007 Series A Bonds in connection with the mandatory tender of 2007 Series A Bonds for purchase as a result of such Conversion to an Index Interest Rate Period.

(ii) In addition, such direction shall be accompanied by (1) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the proposed Conversion Date with respect to the Conversion of the 2007 Series A Bonds to the Index Interest Rate Period and (2) a form of the notice to be mailed by the Trustee to the Owners of the 2007 Series A Bonds as provided in Section 2.08(c).

(iii) After the Fixed Index Interest Rate Conversion Date, the 2007 Series A Bonds shall no longer be permitted to be Converted to another Interest Rate Period and shall no longer be subject to or have the benefit of the provisions of Article IV hereof.

(c) **Notice of Conversion to Index Interest Rate Period.** The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) to the Owners of the 2007 Series A Bonds of a Conversion of the 2007 Series A Bonds to an Index Interest Rate Period not less than thirty (30) days prior to the proposed Conversion Date to such Index Interest Rate Period. Such notice shall state: (i) that, subject to the satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be Converted to an Index Interest Rate Period unless the Agency rescinds its election to Convert the Interest Rate Period for the 2007 Series A Bonds pursuant to Section 2.09(a) hereof; (ii) the proposed Conversion Date to an Index Interest Rate Period; and (iii) that: (A) all 2007 Series A Bonds are subject to mandatory tender for purchase

on the Conversion Date to the Index Interest Rate Period, (B) that the 2007 Series A Bonds (other than ARBs) are subject to mandatory tender for purchase on the proposed Conversion Date even if the proposed Conversion to an Index Interest Rate Period does not occur, (C) the applicable Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion, and (D) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of such 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

**Section 2.09. Rescission of Conversion; Conditions to Conversion.**

**(a)** Notwithstanding anything in this Article II to the contrary, in connection with any Conversion of the Interest Rate Period for the 2007 Series A Bonds, the Agency shall have the right to deliver to the Trustee (with a copy to Remarketing Agent (if any), the Tender Agent (if any), the Credit Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), on or prior to 10:00 a.m. on the second Business Day preceding the proposed Conversion Date of any such Conversion a notice to the effect that the Agency elects to rescind its election to make such Conversion. If the Agency delivers a notice of rescission of election to Convert the 2007 Series A Bonds to the Trustee prior to the time a notice of such Conversion has been mailed to the Owners of the 2007 Series A Bonds as provided in Section 2.04(c), 2.05(c), 2.06(c), 2.07(c), 2.08(c) or 2.10(i)(ii) hereof, as applicable, then the Interest Rate Period shall not be Converted and the 2007 Series A Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Owners of the 2007 Series A Bonds as provided in Section 2.04(c), 2.05(c), 2.06(c), 2.07(c), 2.08(c) or 2.10(i)(ii) hereof, as applicable, and the Agency rescinds its election to make such Conversion, then (i) the 2007 Series A Bonds (except ARBs, which shall not be subject to mandatory tender) shall continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date of the Conversion to a new Interest Rate Period as provided in Section 4.05 hereof, and (ii) the Interest Rate Period shall not be Converted and the 2007 Series A Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to the proposed Conversion (provided, that the period of any such Long-Term Interest Rate Period shall be one year). In the case of the ARBs, the ARBs shall bear interest at the ARB Maximum Rate until the next succeeding Auction Period and then at the Auction Period Rate.

**(b)** No Conversion from one Interest Rate Period to another shall take effect unless each of the following conditions, to the extent applicable, shall have been satisfied.

(i) The Trustee shall have received (i) the prior written consent of the 2007 Series A Bond Insurer and (ii) a Favorable Opinion of Bond Counsel with respect to such Conversion on the Conversion Date.

(ii) The remarketing proceeds available on the Conversion Date and the amount made available under the Credit Support Instrument (if any) shall not be less than the amount required to purchase all of the Tendered Bonds at the applicable Purchase Price (unless the Agency, in its sole discretion, transfers or causes to be transferred, to the Tender Agent for application to the payment of such Purchase Price

Available Moneys in the amount of such deficiency on or before the Conversion Date in funds which are immediately available on the Conversion Date).

(iii) In the case of any Conversion of the 2007 Series A Bonds from an ARB Interest Rate Period to any other Interest Rate Period (except a Long-Term Interest Rate Period effective to, or an Index Interest Rate Period for which the Agency has irrevocably elected an Index Interest Rate Period ending on, the day immediately preceding the Maturity Date), prior to the Conversion Date the Agency shall have appointed a Tender Agent (unless the Trustee is serving as Tender Agent) and a Remarketing Agent with respect to the 2007 Series A Bonds, there shall have been executed and delivered with respect to the 2007 Series A Bonds a Tender Agent Agreement (unless the Trustee is serving as Tender Agent), and a Remarketing Agreement and the Agency has caused a Credit Support Instrument in the Required Stated Amount to be delivered to the Tender Agent.

(iv) In the case of any Conversion of the 2007 Series A Bonds to an ARB Interest Rate Period from another Interest Rate Period, prior to the Conversion Date the Agency shall have appointed an Auction Agent and a Broker-Dealer with respect to the 2007 Series A Bonds and there shall have been executed and delivered with respect to the 2007 Series A Bonds, an Auction Agent Agreement and a Broker-Dealer Agreement.

(v) Prior to any Conversion to an ARB Interest Rate Period, the Agency shall receive a firm underwriting commitment or contract to purchase the 2007 Series A Bonds in an ARB Interest Rate Period from an investment bank or other purchaser.

(vi) In the case of any Conversion of the 2007 Series A Bonds to a Long-Term Interest Rate Period, the Remarketing Agent shall have determined the Long-Term Interest Rate for such Long-Term Interest Rate Period on or prior to the proposed Conversion Date to such Long-Term Interest Rate Period.

**(c)** If any condition to the Conversion of the 2007 Series A Bonds to another Interest Rate Period shall not have been satisfied, then the current Interest Rate Period shall not be Converted and the 2007 Series A Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to such proposed Conversion, and, if notice of such Proposed Conversion has been given to the Owners of the 2007 Series A Bonds as provided in this First Supplemental Indenture, the 2007 Series A Bonds (except ARBs) shall continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date as provided in Section 4.07 hereof. If the Interest Rate Period in effect immediately prior to such proposed Conversion is a Long-Term Interest Rate Period, then the Long-Term Interest Rate Period commencing on such proposed Conversion Date shall be for one year. In the case of ARBs, the ARBs shall continue to be owned by the Owners thereof and shall bear interest at the ARB Maximum Rate until the next succeeding Auction Period following such proposed Conversion Date, then at the Auction Period Rate.

**(d)** Notwithstanding anything in this Article II to the contrary, in connection with the Conversion from a Long-Term Interest Rate Period that would require the mandatory

tender for purchase of 2007 Series A Bonds at a Purchase Price greater than the principal amount thereof plus unpaid accrued interest thereon as provided in Section 4.07 hereof, the Agency, as a condition to exercising its option to cause a Conversion of the Interest Rate Period, shall deliver or cause to be delivered to the Tender Agent prior to the mailing of notice of such Conversion, Available Moneys in an amount which is sufficient to pay such premium, unless the Credit Support Instrument, if any, then in effect with respect to such 2007 Series A Bonds provides for the payment of such premium.

**(e)** The Trustee shall send a copy of each notice of a Conversion sent to the Owners of the 2007 Series A Bonds to any Credit Provider and each Rating Agency promptly after sending such notice to such Owners.

**Section 2.10. ARB Provisions.** This Section 2.10 governs the interest rates and payment terms of 2007 Series A Bonds which are ARBs. With respect to 2007 Series A Bonds when not in an ARB Interest Rate Period, such matters are governed by Sections 2.04 through 2.08 hereof.

**(a) Determination of Auction Period Rates.** During each ARB Interest Rate Period, the 2007 Series A Bonds shall bear interest at Auction Period Rates, which shall be determined and notice thereof shall be given in the manner provided in the Auction Procedures, and each such Auction Period Rate shall be effective for the Auction Period to which such Auction Period Rate relates.

**(b) ARB Payment Defaults.** The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARB Interest Payment Date, whether an ARB Payment Default has occurred. If an ARB Payment Default has occurred, the Trustee shall, not later than 2:30 p.m. New York City time on such Business Day, send a Notice of ARB Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means and, if such ARB Payment Default is cured, the Trustee shall immediately send a Notice of Cure of ARB Payment Default to the Auction Agent and each Broker-Dealer by telecopy or similar means.

**(c) Auction Agent.**

(i) The Auction Agent will signify its acceptance of the duties and obligations imposed upon it under the Indenture by entering into an Auction Agent Agreement which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the Agency.

(ii) Any Auction Agent shall be (i) subject to the written approval of each Broker-Dealer, (ii) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $15,000,000, (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days' notice to the Trustee, the Broker-Dealer and the Agency. The Auction Agent may be removed at

any time by the Trustee, upon the written direction of (1) the Agency or (2) the ARB Beneficial Owners of 66-2/3% of the aggregate principal amount of the ARBs then Outstanding, by an instrument signed by the Trustee and filed with the Auction Agent, the Credit Provider (if any) and the Agency upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a substitute Auction Agent has been appointed and has accepted such appointment. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 30 days after notifying the Trustee and the Agency in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. Notwithstanding that the Auction Agent may be the agent of the Trustee, the Trustee shall not be liable in any way for any action taken, suffered or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agent Agreement or otherwise. Any successor Auction Agent must be approved be the 2007 Series A Bond Insurer.

(iii) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Trustee, at the direction of the Agency, shall use its best efforts to appoint a substitute Auction Agent.

(iv) The Auction Agent is acting as agent for the Trustee in connection with Auctions. In the absence of willful misconduct, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

(v) The Auction Agent may be removed at any time, at the written request of the Agency, for any breach of its obligations hereunder or under the Auction Agent Agreement.

(vi) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes, fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; and acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

**(d) Broker-Dealers.**

(i) The Agency may, from time to time, appoint one or more Persons to serve as Broker-Dealers under Broker-Dealer Agreements and shall be responsible for providing such Broker-Dealer Agreements to the Trustee and the Auction Agent.

(ii) Any Broker-Dealer may at any time resign and be discharged of the duties and obligations created by the Indenture by giving such notice to the Agency and the Trustee as may be specified in a Broker-Dealer Agreement. Any Broker-Dealer may be removed at any time at the written request of the Agency. Upon any such resignation or removal, the Agency will appoint a successor Broker-Dealer. In the event of the resignation or removal of any Broker-Dealer, such Broker-Dealer will pay over, assign and deliver any moneys and ARBs held by it in such capacity to its successor.

**(e) Provisions Relating to Auctions.** None of the Agency, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner, nor shall any of the Agency, the Trustee or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. None of the Agency, the Trustee, the Broker-Dealer or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

**(f) Agreement of Owners.** By purchasing ARBs, whether in an Auction or otherwise, each prospective purchaser of ARBs or its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent and each Broker-Dealer as provided in the Indenture, and relevant agreements among the Agency, the Trustee, the Auction Agent and the Broker-Dealer, as appropriate.

**(g) Conversion to ARB Interest Rate Period.**

(i) Conversion to ARB Interest Rate Period. Subject to Section 2.09 hereof, the Agency, from time to time, by written direction to the Trustee (with a copy to the Tender Agent (if any), the Credit Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any)), may elect that the Interest Rate Period for 2007 Series A Bonds shall be converted to an ARB Interest Rate Period. The direction of the Agency shall specify (A) the proposed Conversion Date to the ARB Interest Rate Period, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Daily Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (3) in the case of a Conversion from a Weekly Interest Rate Period, the Interest Payment Date which is not less than thirty days following the second Business Day after receipt by the Trustee of such direction, (4) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day on which the 2007 Series A Bonds would otherwise be subject to optional redemption

pursuant to Section 4.01(c) hereof if such Conversion did not occur, (5) in the case of a Conversion from a Commercial Paper Interest Rate Period to a Long-Term Interest Rate Period, the day immediately following the last day of the Commercial Paper Interest Rate Period, and (6) in the case of a Conversion from an Index Interest Rate Period, the Interest Payment Date which is not less than 30 days following the second Business Day after receipt by the Trustee of such direction, (B) the Purchase Date for the 2007 Series A Bonds subject to mandatory tender for purchase in connection with the Conversion of the 2007 Series A Bonds to an ARB Interest Rate Period, which shall be the proposed Conversion Date to the ARB Interest Rate Period and (C) the initial Auction Period for the 2007 Series A Bonds during such ARB Interest Rate Period. In addition, the direction of the Agency shall be accompanied by (1) letter of Bond Counsel that it expects to give a Favorable Opinion of Bond Counsel on the proposed Conversion Date with respect to the Conversion of the 2007 Series A Bonds to the ARB Interest Rate Period and (2) a form of notice to be mailed to the Owners of the 2007 Series A Bonds by the Trustee as provided in Section 2.10(i)(ii) hereof.

(ii) Notice of Conversion to ARB Interest Rate Period. The Trustee shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) of a Conversion to an ARB Interest Rate Period to the Owners of the 2007 Series A Bonds not less than 30 days prior to the proposed Conversion Date to such ARB Interest Rate Period. Such notice shall state (i) that, subject to the satisfaction of the conditions to such Conversion contained in Section 2.09(b) hereof, the Interest Rate Period for the 2007 Series A Bonds shall be converted to an ARB Interest Rate Period unless the Agency rescinds its election to Convert the 2007 Series A Bonds to such Interest Rate Period pursuant to Section 2.09 hereof; (ii) the proposed Conversion Date to the ARB Interest Rate Period; (iii) that the 2007 Series A Bonds are subject to mandatory tender for purchase on the Conversion Date to the ARB Interest Rate Period; (iv) that the 2007 Series A Bonds are subject to mandatory tender for purchase on the proposed Conversion Date whether or not the Conversion to an ARB Interest Rate Period occurs; (v) the Purchase Price and the place of Proper Delivery for the tender of 2007 Series A Bonds for purchase in connection with such Conversion; and (vi) that the Purchase Price of 2007 Series A Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of the 2007 Series A Bonds and only from the sources specified in Section 4.07(f) hereof, specifying such sources.

**Section 2.11. 2007 Series A Bond Insurance Policy**. Notwithstanding anything in the Indenture to the contrary, but subject to Section 11.05 of the Master Indenture, the Trustee and the Agency covenant and agree to the following terms and conditions with respect to the 2007 Series A Bond Insurance Policy:

**(a)** So long as any 2007 Series Bonds are Outstanding and the 2007 Series A Bond Insurance Policy is in effect, the Agency and the Trustee shall comply with the following provisions:

(i) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the 2007 Series A Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2007 Series A Bonds

due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(ii) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

(iii) In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal or interest on the 2007 Series A Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(iv) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the 2007 Series A Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the 2007 Series A Bonds, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of the 2007 Series A Bonds, the Trustee shall (a) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the 2007 Series A Bond surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Policy payment therefor from the Insurance Trustee, and (c) disburse the same to such Holders.

(v) Payments with respect to claims for interest on and principal of 2007 Series A Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the 2007 Series A Bond of the Issuer with respect to such 2007 Series A Bonds, and the Insurer shall become the owner of such unpaid 2007 Series A

Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(vi) Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee hereby agree for the benefit of the Insurer that:

(1) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the 2007 Series A Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the 2007 Series A Bonds; and

(2) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the 2007 Series A Bond, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 2007 Series A Bonds to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

**(b)** The 2007 Series A Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the 2007 Series A Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the 2007 Series A Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of Article II of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments. The 2007 Series A Bond Insurer reserves the right to charge the Agency a fee for any consent, supplement or amendment to the Indenture while the 2007 Series A Bond Insurance Policy is outstanding.

**(c)** To the extent the consent of a Credit Provider is provided for, or a Credit Providers is permitted to direct the remedies pursued by the Trustee contained, in Article X of the Master Indenture, the consent or direction, as appropriate, of the 2007 Series A Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the 2007 Series Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and 2007 Series A Bond Insurer shall also be entitled to approve all waivers of events of default.

**(d)** The 2007 Series A Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2007 Series Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the 2007 Series A Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding 2007 Series Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce

the amount of interest on or principal of any 2007 Series Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

**(e)** In the event of any reorganization or liquidation relating to the Agency, the 2007 Series A Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding 2007 Series Bonds absent a default by the 2007 Series A Bond Insurer under the 2007 Series A Bond Insurance Policy insuring the 2007 Series Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the 2007 Series A Bond Insurer.

**(f)** Notwithstanding anything herein to the contrary, in the event that the principal or interest due on the 2007 Series Bonds shall be paid by the 2007 Series A Bond Insurer pursuant to the 2007 Series A Bond Insurance Policy, the 2007 Series Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the 2007 Series Bonds shall continue to exist and shall run to the benefit of the 2007 Series A Bond Insurer, and the 2007 Series A Bond Insurer shall be subrogated to the rights of such Owners of the 2007 Series Bonds.

**(g)** Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the 2007 Series Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the such Owners as if there were no 2007 Series A Bond Insurance Policy.

**(h)** To the extent that the Indenture confers upon or gives or grants to the 2007 Series A Bond Insurer any right, remedy or claim under or by reason of the Indenture, the 2007 Series A Bond Insurer is hereby explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

**(i)** The 2007 Series A Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the 2007 Series A Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the 2007 Series Bonds.

**(j)** Notwithstanding any other provision of the Indenture, in the event that the principal and/or interest on the 2007 Series Bonds shall be paid by the 2007 Series A Bond Insurer pursuant to the 2007 Series A Bond Insurance Policy, the 2007 Series Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Subordinate Pledged Tax Revenues and all covenants, agreements and other obligations of the Agency to the registered owners shall

continue to exist and shall run to the benefit of the 2007 Series A Bond Insurer, and the 2007 Series A Bond Insurer shall be subrogated to the rights of such registered owners.

**(k)** The Agency hereby covenants an agrees that it shall reimburse the 2007 Series A Bond Insurer for any amounts paid under the 2007 Series A Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the 2007 Series A Bond Insurer until payment thereof in full by the Agency, payable at the 2007 Series A Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the 2007 Series A Bond Insurer in respect of interest on the 2007 Series A Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the 2007 Series Bonds. For the purposes of the foregoing, "2007 Series A Bond Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Series Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The 2007 Series A Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2007 Series A Bond Insurer shall specify.

**(l)** The Trustee (or Paying Agent) may be removed at any time, at the request of the 2007 Series A Bond Insurer, for any breach of the Trust set forth herein.

**(m)** The Agency shall obtain the consent of the 2007 Series A Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the 2007 Series A Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with Article II of the Master Indenture without the consent of the 2007 Series A Bond Insurer if:

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000

or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

**Section 2.12. Notices and Information to the 2007 Series A Bond Insurer.**

**(a)** The Agency or the Trustee (as to (1) and (2) below) shall furnish to the 2007 Series A Bond Insurer (to the attention of the Insured Portfolio Management, Global Public Finance Department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the Owners of the 2007 Series Bonds, including, without limitation, notice of any unscheduled redemption or defeasance of 2007 Series Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the 2007 Series Bonds; and

(iii) such additional information as the 2007 Series A Bond Insurer may reasonably request.

**(b)** The Trustee or the Agency, as appropriate, shall notify the 2007 Series A Bond Insurer (to the attention of the General Counsel Office) of any failure of the Agency to provide relevant notices or certificates required under the Indenture.

**(c)** Notwithstanding any other provision of the Indenture, the Trustee or the Agency, as appropriate, shall immediately notify the 2007 Series A Bond Insurer (to the attention of the General Counsel Office and to the Insured Portfolio Management, Global Public Finance Department referenced above) if at any time there are insufficient moneys to make any payments of principal of or interest on the 2007 Series Bonds as required and immediately upon the occurrence of (i) any Event of Default under the Indenture or (ii) any payment default under any related security agreement.

**(d)** The Agency will permit the 2007 Series A Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the 2007 Series A Bond Insurer may reasonably request regarding the security for the 2007 Series Bonds with appropriate officers of the Agency. The Trustee or the Agency, as appropriate, will permit the 2007 Series A Bond Insurer to have access to and to make copies of all books and records relating to the 2007 Series Bonds at any reasonable time.

**(e)** The 2007 Series A Bond Insurer shall be provided with each annual report prepared pursuant to any continuing disclosure obligation entered into in connection with the issuance of the 2007 Series Bonds and with a copy of each notice of the occurrence of any listed event required by Rule 15c2-12 thereunder.

**(f)** The Trustee shall provide the 2007 Series A Bond Insurer with prior written notice of any Trustee resignation.

## ARTICLE III

## REDEMPTION OF 2007 SERIES A BONDS

**Section 3.01. Terms of Redemption.**

**(a)** While any Daily Interest Rate Period, any Weekly Interest Rate Period or any Index Interest Rate Period is in effect, the 2007 Series A Bonds are also subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on any date at a Redemption Price equal to the principal amount of 2007 Series A Bonds to be redeemed, plus unpaid accrued interest to the date fixed for redemption, without premium. The Redemption Price on any 2007 Series A Bond being redeemed under this Section 3.01(a) shall be paid with Available Moneys.

**(b)** While any Long-Term Interest Rate Period is in effect, the 2007 Series A Bonds are also subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency) on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to the principal amount of 2007

Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium, and thereafter, during the periods specified below (or if approved in a Favorable Opinion of Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the Agency to the Trustee) in whole or in part (in such amounts as may be specified by the Agency) on any date at the Redemption Prices (expressed as a percentage of principal amount of the 2007 Series A Bonds to be redeemed) hereinafter indicated (or specified in the notice of the Agency to the Trustee mentioned above), plus unpaid accrued interest to the date fixed for redemption:

| Length of Long-Term Interest Rate Period (expressed in years) | Redemption Price |
|---|---|
| greater than 15 | after 10 years at 101% declining by 1% every year to 100% |
| less than or equal to 15 and greater than 10 | after 7 years at 101% declining by 1% every year to 100% |
| less than or equal to 10 and greater than 7 | after 5 years at 101% declining by 1% every year to 100% |
| less than or equal to 7 and greater than 4 | after 3 years at 101% declining by 1% every year to 100% |
| less than or equal to 4 | after 2 years at 100% |

**(c)** While any Commercial Paper Interest Rate Period is in effect, each 2007 Series A Bond is also subject to redemption prior to its stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on the day succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond at a Redemption Price equal to the principal amount of the 2007 Series A Bond to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

**(d)** While any ARB Interest Rate Period is in effect, the 2007 Series A Bonds are also subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on any ARB Interest Payment Date at a Redemption Price equal to the principal amount of 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

After any partial redemption pursuant to this subsection (d), there shall not be less than $10,000,000 in aggregate principal amount of 2007 Series A Bonds outstanding unless otherwise consented to by the Broker-Dealer.

If any 2007 Series A Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the issuer shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such ARBs to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such ARBs immediately following such Auction settlement, and (3) the Securities Depository Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

If (i) any 2007 Series A Bonds are called redemption while any ARB Interest Rate period is in effect pursuant to this Section 3.03(d), and (ii) such redemption is conditional upon receipt of funds by the Trustee pursuant to Section 4.05(b) of the master indenture, then such funds for redemption must be deposited with the Trustee no less than five (5) Business Days prior to the stated redemption date or notice thereof shall be rescinded (with such notice of rescission sent to the Auction Agent and any other recipient of the original redemption notice).

**(e)** The 2007 Series A Bonds are also subject to redemption in part prior to their stated maturity from Sinking Fund Installments established pursuant to subsection (f) of this Section on any September 1 on or after September 1, 2008, at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed together with interest unpaid accrued thereon to the date fixed for redemption, without premium. Notwithstanding the foregoing, when any 2007 Series A Bond to be redeemed pursuant to this subsection (e) is subject to an ARB Interest Rate Period, if such September 1 is not an ARB Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARB Interest Payment Date immediately preceding such September 1.

**(f)** The following shall be the Sinking Fund Installments for the 2007 Series A Bonds. Such installments shall be due on September 1 of each of the years set forth in the following table in the respective amounts set forth opposite such years in said table; except that if, pursuant to subsection (e) of this Section, any Redemption Date from Sinking Fund Installments is an ARB Interest Payment Date preceding a September 1 listed below, the applicable Sinking Fund Installment shall be due on such ARB Interest Payment Date:

| Redemption Date (September 1) | Principal Amount |
|---|---|
| 2008 | $ 1,125,000 |
| 2009 | 1,525,000 |
| 2010 | 1,600,000 |
| 2011 | 1,675,000 |
| 2012 | 1,750,000 |
| 2013 | 1,825,000 |
| 2014 | 1,900,000 |
| 2015 | 2,000,000 |
| 2016 | 2,100,000 |
| 2017 | 2,200,000 |
| 2018 | 2,275,000 |
| 2019 | 2,000,000 |
| 2020 | 4,275,000 |
| 2021 | 1,775,000 |
| 2022 | 1,850,000 |
| 2023 | 3,675,000 |
| 2024 | 2,100,000 |
| 2025 | 2,200,000 |
| 2026 | 2,275,000 |
| 2027 | 7,200,000 |
| 2028 | 1,675,000 |
| 2029 | 1,750,000 |
| 2030 | 1,850,000 |
| 2031 | 1,925,000 |
| 2032 | 2,000,000 |
| 203 | 2,075,000 |
| 2034 | 2,175,000 |
| 2035 | 2,275,000 |
| 2036* | 2,350,000 |

*Final Maturity.

In the event that any such 2007 Series A Bonds are redeemed pursuant to subsection (a), (b), (c) or (d) of this Section, such Sinking Fund Installments shall be reduced pro rata for the principal amount of such 2007 Series A Bonds so redeemed.

**(g)** Notwithstanding the foregoing provisions of this Section, the terms of redemption of any Credit Provider Bonds (including mandatory redemption) shall be governed by the Credit Support Instrument.

**(h)** So long as the 2007 Series A Bond Insurance Policy is in effect, no amount of the 2007 Series A Bonds which constitute Hedged Bonds shall be redeemed pursuant to subsections (a), (c) or (d) unless (i) the Agency causes a corresponding reduction in the

notional amount of the 2007 Swap or any applicable Qualified Swap Agreement, and provides for payment of related Termination Payments, if any, or (ii) the 2007 Series A Bond Insurer waives this aforementioned condition in writing.

**Section 3.02. Selection of 2007 Series A Bonds for Redemption.** Whenever provision is made in this First Supplemental Indenture for the redemption of less than all of the 2007 Series A Bonds, the Trustee shall select the 2007 Series A Bonds to be redeemed, from all 2007 Series A Bonds subject to redemption and not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that 2007 Series A Bonds shall be redeemed in the following order of priority (and by lot within each priority):

FIRST: Any 2007 Series A Bonds which are Credit Provider Bonds; and

SECOND: Any other 2007 Series A Bonds.

## ARTICLE IV

## TENDER OF BONDS

**Section 4.01. Optional Tender During Daily Interest Rate Period or Weekly Interest Rate Period.** (a) During each Daily Interest Rate Period, the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interests in such 2007 Series A Bond), or a portion thereof as provided below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, or telephone notice promptly confirmed in writing, which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase. The Purchase Date for any 2007 Series A Bond (or portion thereof) in a Daily Interest Rate Period for which the Owner (or Beneficial Owner, as applicable) has given such notice of tender for purchase shall be the date of delivery of such notice to the Tender Agent or such later Business Day as shall be specified in such notice. Any notice of tender for purchase given pursuant to this subsection delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a 2007 Series A Bond, both the portion of the 2007 Series A Bond being tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

**(b)** During each Weekly Interest Rate Period the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interest in such 2007 Series A Bond), or a portion thereof as provided below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase and the date on

which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a 2007 Series A Bond, both the portion of the 2007 Series A Bond tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

(c) The giving of notice by an Owner or Beneficial Owner of a 2007 Series A Bond to have such 2007 Series A Bond purchased as provided in this Section shall constitute the irrevocable tender for purchase of such 2007 Series A Bond, regardless of whether Proper Delivery of such 2007 Series A Bond is made to the Tender Agent on the applicable Purchase Date.

(d) In the event that an Owner of a 2007 Series A Bond has delivered a tender notice pursuant to this Section with a Purchase Date on or prior to the Purchase Date on which such 2007 Series A Bond is subject to mandatory tender for purchase pursuant to Section 4.04 hereof as a result of the delivery of a Notice of Mandatory Tender with respect to, or as a result of the Expiration Date of, or in connection with the delivery of an Alternate Credit Support Instrument for, a Credit Support Instrument, such 2007 Series A Bond shall be subject to purchase in accordance with this Section on the Purchase Date determined pursuant to this Section.

**Section 4.02. Mandatory Tender Following Commercial Paper Term.** During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond, unless such day is the first day of a new Interest Rate Period for such 2007 Series A Bond (in which event such 2007 Series A Bond shall be subject to mandatory tender for purchase pursuant to Section 4.03 hereof).

**Section 4.03. Mandatory Tender on First Day of Interest Rate Period.** The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the first day of each Interest Rate Period (other than upon the Conversion from a Daily Interest Rate Period to a Weekly Interest Rate Period or the Conversion from a Weekly Interest Rate Period to a Daily Interest Rate Period) and (except for any Conversion from an ARB Interest Rate Period) on the proposed Conversion Date specified in the notice of the Conversion to an alternate Interest Rate Period given to the Owners pursuant to Section 4.05(b) hereof).

**Section 4.04. Mandatory Tender Upon Termination or Expiration of Credit Support Instrument.** The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price: (a) on a Business Day which is not less than five (5) days prior to termination of the Credit Support Instrument then in effect with respect to the 2007 Series A Bonds upon the delivery of an Alternate Credit Support Instrument; (b) on the fifth Business Day following the Trustee's receipt of a Notice of Mandatory Tender; or (c) on a Business Day which is not less than five (5) days prior to the Expiration Date of the Credit Support Instrument then in effect with respect to the 2007 Series A Bonds. For purposes of this Section 4.04, any change to a Credit Provider's obligation to purchase 2007 Series A Bonds

under a Credit Support Instrument shall be deemed, on the effective date of such change, to constitute a termination of such Credit Support Instrument and a delivery of an Alternate Credit Support Instrument, and the Agency covenants to provide the Trustee with notice of any such change at least thirty (30) days prior to the date such change becomes effective.

**Section 4.05. Notice to Owners of Mandatory Tender.** (a) In connection with the mandatory tender of 2007 Series A Bonds for purchase in accordance with Section 4.02 hereof, no notice need be given to Owners of 2007 Series A Bonds.

**(b)** In connection with any mandatory tender of 2007 Series A Bonds for purchase in accordance with Section 4.03 hereof, the Tender Agent shall give the notice provided herein as a part of the notice given to the Owners pursuant to Section 2.04(c), 2.05(c), 2.06(c), 2.07(c), 2.08(c) or 2.10(k)(ii) hereof, as applicable. Such notice shall state: (i) that, the Purchase Price of each 2007 Series A Bond so subject to mandatory tender for purchase shall be payable only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent at its Principal Office, and describing the actions and document necessary to make such Proper Delivery; (ii) that all 2007 Series A Bonds so subject to mandatory tender for purchase are to be purchased (but only from the funds available for such purchase pursuant to Section 4.07(f) hereof, describing such funds) on the Purchase Date which shall be explicitly stated; and (iii) that if on such Purchase Date, the Tender Agent holds in trust for the Owners of the Tendered Bonds the Purchase Price for all Tendered Bonds to be purchased on such Purchase Date, any such Tendered Bond as to which Proper Delivery is not made to the Tender Agent on the Purchase Date shall be deemed to be an Undelivered Bond and to have been tendered for purchase on such Purchase Date and purchased as herein provided and the Owner of such Undelivered Bond shall thereafter have no rights with respect to such Undelivered Bond except to receive payment of the Purchase Price thereof from the funds held for such purpose by the Tender Agent and only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent. Any notice given substantially as provided in this subsection (b) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner of a 2007 Series A Bond.

**(c)** In connection with the mandatory tender of 2007 Series A Bonds for purchase in accordance with Section 4.04 hereof, the Tender Agent shall give notice (by registered or certified mail, or by telecopy, confirmed by registered or certified mail) to the Owners of the mandatory tender of the 2007 Series A Bonds for purchase as a result of the occurrence of any event specified in Section 4.04 hereof not less than five (5) days prior to the applicable Purchase Date. Such notice shall state: (i) that the Purchase Price of each 2007 Series A Bond so subject to mandatory tender for purchase shall be payable only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent at its Principal Office; (ii) that all 2007 Series A Bonds so subject to mandatory tender for purchase are to be purchased (but only from the funds available for such purchase pursuant to Section 4.07(f) hereof, describing such funds) on the Purchase Date which shall be explicitly stated; and (iii) that, if on such Purchase Date, the Tender Agent holds in trust for the Owners of the Tendered Bonds sufficient available moneys to pay the Purchase Price for all Tendered Bonds to be purchased on such Purchase Date, any such Tendered Bond as to which Proper Delivery is not made to the Tender Agent on the Purchase Date shall be deemed to be an Undelivered Bond and to have been tendered for purchase on such Purchase Date and purchased as herein provided and the Owner of such Undelivered Bond shall thereafter have no rights with respect to the Undelivered Bond except to receive payment of the

Purchase Price thereof from the funds held for such purpose by Tender Agent and only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent. Any notice given substantially as provided in this subsection (c) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner of a 2007 Series A Bond. Upon giving the notice specified in this subsection (c), all Owners of 2007 Series A Bonds shall be required to make Proper Delivery of their 2007 Series A Bonds to the Tender Agent for purchase on the Purchase Date specified in such notice.

**Section 4.06. Undelivered Bonds.** The Tender Agent may refuse to accept delivery of any Tendered Bond as to which Proper Delivery has not been made; such refusal, however, shall not affect the validity of the purchase of such Tendered Bond either upon the remarketing thereof as herein provided or upon the purchase of such 2007 Series A Bond from a draw on a Credit Support Instrument. For all purposes of the Indenture, the Tender Agent shall determine whether there has been Proper Delivery of Tendered Bonds. Such determination shall be binding on the Owners of the 2007 Series A Bonds, the Agency and the Remarketing Agent, absent manifest error. If the Owner or Beneficial Owner of a 2007 Series A Bond who has given notice of tender for purchase pursuant to Section 4.01 hereof, or any Owner of a 2007 Series A Bond subject to mandatory tender for purchase pursuant to Section 4.02, 4.03 or 4.04 hereof, fails to make Proper Delivery of such 2007 Series A Bond to the Tender Agent by 10:00 a.m. New York City time on the applicable Purchase Date and if moneys equal to the Purchase Price of all 2007 Series A Bonds to be purchased on such Purchase Date in accordance with the Indenture shall be available to the Tender Agent for the payment thereof, such Tendered Bond shall constitute an Undelivered Bond. From and after the applicable Purchase Date, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (2) interest shall no longer accrue with respect to such Undelivered Bond; (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent in the Bond Purchase Fund for the benefit of the Owner of such Undelivered Bond, to be paid when Proper Delivery of such Undelivered Bond is made to the Tender Agent; and (4) the Owner of such Undelivered Bond shall have no rights with respect to such Undelivered Bond except to receive the Purchase Price thereof from the funds held by the Tender Agent in the Bond Purchase Fund for such purpose and only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested.

**Section 4.07. General Provisions Relating to Tenders.**

**(a) Creation of Bond Purchase Fund.** (i) There shall be created and established hereunder with the Tender Agent a fund to be designated the Redevelopment Agency of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A Bond Purchase Fund to be held in trust only for the benefit of the Owners of Tendered Bonds who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such Tendered Bonds. Amounts in the Bond Purchase Fund constitutes the price paid for Tendered Bonds whether upon the remarketing thereof or upon draws on the Credit Support Instrument and shall constitute amounts held for such Tendered Bonds for purposes of Section 10.03 hereof. Neither the Agency nor any other Person (other than the Owner of a Tendered Bond, the purchaser of a Tendered Bond upon the remarketing thereof and the Credit Provider) shall have

any right, title or interest in any of the funds held on deposit in any account in the Bond Purchase Fund nor any remarketing proceeds held for any period of time by the Remarketing Agent.

(ii) There shall be created and designated the following accounts within the Bond Purchase Fund: the "Remarketing Proceeds Account" and the "Credit Support Instrument Account." Moneys paid to the Tender Agent for the purchase of Tendered Bonds received from (1) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account in accordance with the provisions of Section 4.07(e)(i) hereof, and (2) payments pursuant to a Credit Support Instrument, if any, shall be deposited in the Credit Support Instrument Account in accordance with the provisions of Section 4.07(e)(ii) hereof. Payments under a Credit Support Instrument not required to purchase 2007 Series A Bonds shall be returned to the Credit Provider in accordance with Section 4.07(e) (iii) hereof.

(iii) Moneys in the Credit Support Instrument Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

**(b) Deposit of Tendered Bonds.** The Tender Agent agrees to hold all Tendered Bonds delivered to it in trust for the benefit of the respective Owners (including, if applicable, the Credit Provider) which shall have so delivered such Tendered Bonds for purchase until moneys representing the Purchase Price of such Tendered Bonds have been delivered to or for the account of such Owner in accordance with the provisions hereof.

**(c) Information Regarding Tender and Remarketing of 2007 Series A Bonds.**

(i) Immediately upon its receipt, but not later than 11:00 a.m., New York City time, in the case of 2007 Series A Bonds in a Daily Interest Rate Period, or no later then 12:00 noon, New York City time on the following Business Day in the case of 2007 Series A Bonds in a Weekly Interest Rate Period, of a notice of optional tender of 2007 Series A Bonds for purchase pursuant to Section 4.01 hereof, the Tender Agent shall notify the Trustee, the Remarketing Agent, the Credit Provider, and the Agency by telephone, promptly confirmed in writing, or by telecopy, of receipt of such notice, specifying the principal amount of 2007 Series A Bonds for which it has received a notice pursuant to Section 4.01 hereof, the names of the Owners thereof and the date on which such 2007 Series A Bonds are to be purchased in accordance with Section 4.01 hereof.

(ii) As soon as practicable, but in no event later than 45 minutes prior to the Drawing Time on the Purchase Date in the case of 2007 Series A Bonds to be purchased pursuant to Section 4.01(a) or Section 4.02 hereof and by no later than 3:45 p.m. New York City time on the last Business Day prior to the Purchase Date in the case of 2007 Series A Bonds to be purchased pursuant to Section 4.01(b), 4.03 or 4.04, the Remarketing Agent shall inform the Tender Agent, the Trustee (and, if the 2007 Series A Bonds are not Book-Entry Bonds, the Agency), by telephone, promptly confirmed in writing, of the principal amount of Tendered Bonds for which the Remarketing Agent has

identified prospective purchasers and, if the 2007 Series A Bonds are not Book-Entry Bonds, of the name, address and taxpayer identification number of each such purchaser, the principal amount of Tendered Bonds to be purchased by each prospective purchaser and the Authorized Denominations in which such Tendered Bonds are to be delivered to each such prospective purchaser. If the 2007 Series A Bonds are not Book-Entry Bonds, the Agency shall cause to be prepared and executed, and the Trustee shall authenticate, or cause the Tender Agent to authenticate, replacement 2007 Series A Bonds for the Tendered Bonds as follows: (1) for delivery to the Remarketing Agent pursuant to Section 4.07(g) hereof, a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased with moneys from the Remarketing Proceeds Account, in such Authorized Denominations and registered in such names as indicated in the information provided by the Remarketing Agent pursuant to this Section 4.07(c)(ii); and (2) for delivery to the Credit Provider pursuant to Section 4.07(g) hereof, a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased from moneys on deposit in the Credit Support Instrument Account in such Authorized Denominations and registered in the name of the Credit Provider or as otherwise provided in the Credit Support Instrument.

**(d) Transfer of Remarketing Proceeds.** Not later than 12:00 p.m., New York City time, on each Purchase Date, the Remarketing Agent shall transfer all proceeds received in connection with the remarketing of Tendered Bonds to the Tender Agent for deposit in the Remarketing Proceeds Account. Until so transferred to the Tender Agent, the Remarketing Agent shall hold all amounts received by it in connection with any remarketing of 2007 Series A Bonds in trust only for the benefit of the purchasers of the Tendered Bonds on the remarketing thereof and shall not commingle such amounts with any other moneys. The Tender Agent shall immediately notify the Trustee of the receipt of any remarketing proceeds from the Remarketing Agent in connection with the remarketing of Tendered Bonds.

**(e) Deposits of Funds.**

(i) The Tender Agent shall deposit into the Remarketing Proceeds Account any amounts received by it from the Remarketing Agent as the proceeds of the remarketing of Tendered Bonds and shall apply such amounts as provided in Section 4.07(f) hereof.

(ii) At least twenty minutes prior to the Drawing Time, the Trustee shall notify the Credit Provider (if any) for the Tendered Bonds and the Agency by telephone, immediately confirmed in writing, of the additional amount of funds, if any, required to be transferred to the Trustee (the "Additional Funding Amount") which shall be the amount, if any, by which the total Purchase Price of the Tendered Bonds exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account pursuant to Section 4.07(d). Neither the failure of the Trustee to give the notice required by the preceding sentence nor any defect or inaccuracy therein shall affect the obligation of the Credit Provider to honor draws on the Credit Support Instrument in accordance with its terms. The Trustee shall, not less than five minutes prior to the Drawing Time, take such action, including presenting drafts, as shall be necessary to receive payment under the Credit Support Instrument on the Purchase Date in an amount equal to the Additional

Funding Amount. The Trustee shall deposit such amounts (or, if the Trustee is not acting as Tender Agent, transfer such amounts to the Tender Agent for deposit) in the Credit Support Instrument Account. Notwithstanding anything to the contrary contained herein, Credit Provider Bonds shall not be purchased with funds received under the Credit Support Instrument. Notwithstanding anything herein and to the contrary, the Trustee shall not require indemnification as a condition to draw on the Credit Support Instrument.

(iii) The Tender Agent shall hold all moneys received from the Remarketing Agent pursuant to this Section 4.07(e) in trust for the benefit of the purchasers upon the remarketing of the Tendered Bonds until such Tendered Bonds shall have been registered in the names of or on behalf of such purchasers and, if such Tendered Bonds are not Book-Entry Bonds, such Tendered Bonds (or, if applicable, replacement 2007 Series A Bonds therefor) shall have been delivered to the Remarketing Agent on behalf of such purchasers, subject to application as provided in Section 4.07(e) hereof. The Tender Agent shall hold all moneys received from the Credit Provider pursuant to this Section 4.07(e) in trust for the Owners of the Tendered Bonds who have tendered or are deemed to have tendered such Tendered Bonds for purchase pursuant hereto, subject to application as provided in this Section 4.07(e) and Section 4.07(f) hereof. In holding such moneys, the Tender Agent will be acting on behalf of such Owners by facilitating purchase of the Tendered Bonds and not on behalf of the Agency and will not be subject to the control of the Agency. Subject to the provisions of Section 4.07(f) hereof, following payment in full of the Purchase Price of the Tendered Bonds as to which Proper Delivery has been made to the Tender Agent on the Purchase Date and the setting aside in segregated accounts in the Bond Purchase Fund of moneys sufficient to pay the Purchase Price of Undelivered Bonds, the Tender Agent shall pay any moneys remaining in the Credit Support Instrument Account directly to the Credit Provider. If for any reason the amount available in the Bond Purchase Fund on any Purchase Date, and any Available Moneys paid by the Agency to the Tender Agent pursuant to Section 2.06(d)(iii) hereof or Section 2.09(b)(ii) hereof, is not sufficient to pay in full the Purchase Price of all Tendered Bonds to be purchased on such Purchase Date, then moneys in the Remarketing Proceeds Account shall be returned to the potential purchasers of the Tendered Bonds identified in the remarketing thereof.

**(f) Disbursements; Payment of Purchase Price.** The Purchase Price of Tendered Bonds shall be payable in lawful money of the United States of America upon Proper Delivery of such Tendered Bond to the Tender Agent. Moneys in the Bond Purchase Fund on a Purchase Date (other than moneys held by the Tender Agent to pay the Purchase Price of Undelivered Bonds with respect to a prior Purchase Date) shall be applied at or before 3:00 p.m. New York City time on such Purchase Date to pay, in funds immediately available on such Purchase Date, the Purchase Price of Tendered Bonds as to which Proper Delivery has been made in the following order of application and, to the extent not so applied on such Purchase Date, an amount equal to the Purchase Price of Undelivered Bonds shall be held in separate and segregated accounts in the Bond Purchase Fund for the benefit of the Owners of the Undelivered Bonds to pay such Owners the Purchase Price of such Tendered Bonds upon Proper Delivery:

FIRST: Moneys deposited in the Remarketing Proceeds Account.

SECOND: Moneys deposited in the Credit Support Instrument Account.

THIRD: Moneys made available by the Agency pursuant to Section 2.06(d)(iii) hereof or Section 2.09(b)(ii) hereof.

**(g) Transfer of Tendered Bonds.**

(i) The Remarketing Agent shall give notice with respect to the Tendered Bonds, if any, sold by it pursuant to Section 4.08(a) hereof and Section 4.08(b) hereof as provided in Section 4.07(c)(ii) hereof. If the 2007 Series A Bonds are Book-Entry Bonds, the Tender Agent shall cause a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased on each Purchase Date with moneys in the Remarketing Proceeds Account to be transferred to such Participant or Participants of the Securities Depository as shall be directed by the Remarketing Agent. If the 2007 Series A Bonds are not Book-Entry Bonds, by 1:30 p.m. New York City time on the Purchase Date in the case of Tendered Bonds to be purchased pursuant to Section 4.02 hereof and by 12:00 noon New York City time on the Purchase Date in the case of Tendered Bonds to be purchased pursuant to Section 4.01, 4.03 or 4.04 hereof, a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased on each Purchase Date with moneys from the Remarketing Proceeds Account shall be made available by the Tender Agent to the Remarketing Agent against payment therefor in immediately available funds. The Tender Agent shall deliver 2007 Series A Bonds received by it pursuant to Section 4.07(c)(ii) hereof as directed by the Remarketing Agent.

(ii) If the 2007 Series A Bonds are Book-Entry Bonds, the Tender Agent shall cause a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased from moneys on deposit in the Credit Support Instrument Account to be transferred to the Credit Provider or such Participant or Participants of the Securities Depository on behalf of the Credit Provider, and in such respective Authorized Denominations, as shall be directed by the Credit Provider. If the 2007 Series A Bonds are not Book-Entry Bonds, a principal amount of 2007 Series A Bonds equal to the principal amount of Tendered Bonds purchased on each Purchase Date from moneys on deposit in the Credit Support Instrument Account shall be delivered on the Purchase Date by the Tender Agent to or as directed by the Credit Provider. The Trustee shall register such 2007 Series A Bonds in the Bond Register in the name of the Credit Provider or as otherwise provided in the Credit Support Instrument.

**(h) Payment of Purchase Price.** The Purchase Price of any Tendered Bond purchased pursuant to Section 4.01, 4.02, 4.03 or 4.04 hereof shall be payable only upon Proper Delivery of such Tendered Bond to the Tender Agent. If Proper Delivery of any Tendered Bond is made by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to Section 4.07(f) hereof) in immediately available funds on the date such Proper Delivery is made and if such Proper Delivery is made after 10:00 a.m., New York City time, on such Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be

paid (but only from the funds provided therefor pursuant to Section 4.07(f) hereof) in immediately available funds on the Business Day immediately succeeding such date of Proper Delivery.

(i) **Payment of Premiums and Discounts.** Notwithstanding the provisions of Section 4.07(f) hereof, if the Purchase Price of any Tendered Bond includes a premium, the Tender Agent shall apply Available Moneys provided by the Agency in accordance with Section 2.06(d)(iii) hereof to pay such premium. Notwithstanding the provisions of Section 4.07(f) hereof, if any Tendered Bond is to be remarketed at a price below the principal amount thereof and, if applicable, unpaid accrued interest thereon, pursuant to Section 2.06(d) hereof, the Tender Agent shall apply Available Moneys provided to the Tender Agent by the Agency in accordance with Section 2.06(d) (iii) hereof to the payment of the Purchase Price of such Tendered Bonds as part of the Purchase Price of such Tendered Bonds. Any Available Moneys provided by the Agency in accordance with Section 2.06(d)(iii) hereof not applied to or retained for the payment of such Purchase Price shall be returned to the Agency by the Tender Agent not later than the Business Day next succeeding the applicable Purchase Date.

**Section 4.08. Remarketing of 2007 Series A Bonds; Notice of Interest Rates.**

(a) Upon each Purchase Date for Tendered Bonds, other than Credit Provider Bonds, the Remarketing Agent shall offer for sale and use its best efforts to sell such Tendered Bonds, any such sale to be made on the applicable Purchase Date in accordance with this Article IV at a price equal to (except as otherwise provided in Section 2.06(d) hereof) the applicable Purchase Price of the Tendered Bonds. The Remarketing Agent agrees that it shall not sell any 2007 Series A Bonds purchased pursuant to this Article IV to the Agency or to any Person who controls, is controlled by, or is under common control with, the Agency.

(b) The Remarketing Agent shall offer for sale and use its best efforts to sell Credit Provider Bonds at a price equal to the principal amount thereof plus, if applicable, unpaid accrued interest to the date of purchase (based on the rate per annum which would have been applicable to such 2007 Series A Bonds if they were not Credit Provider Bonds). Except upon the establishment of the Fixed Rate Conversion Date, the establishment of the Fixed Index Interest Rate Conversion Date or the Conversion of the 2007 Series A Bonds to an ARB Interest Rate Period, Credit Provider Bonds shall not be delivered upon remarketing unless the Tender Agent shall have received a written confirmation from the Credit Provider that the Credit Support Instrument is reinstated in accordance with its terms by an amount equal to that portion of the Required Stated Amount relating to such Credit Provider Bonds.

(c) The Remarketing Agent shall determine the rate of interest on the 2007 Series A Bonds during each Daily Interest Rate Period, Weekly Interest Rate Period and Long-Term Interest Rate Period, the interest rate with respect to each 2007 Series A Bond during each Commercial Paper Term for such 2007 Series A Bond and the Commercial Paper Terms for each 2007 Series A Bond during each Commercial Paper Interest Rate Period as provided in Article II hereof and shall furnish to the Tender Agent and the Trustee and, upon request to the Agency and the Credit Provider (if any), on the date of determination, each such rate of interest and Commercial Paper Term so determined by telephone, telecopy, electronic mail or readily accessible electronic means, promptly confirmed in writing.

**(d)** The Remarketing Agent shall transfer the proceeds of the remarketing of Tendered Bonds as provided in Section 4.07(d).

**Section 4.09. Credit Support Instrument; Alternate Credit Support Instruments.** **(a)** Unless the 2007 Series A Bonds are ARBs, the Fixed Rate Conversion Date shall have occurred or the Fixed Index Interest Rate Conversion Date shall have occurred, the Agency shall cause a Credit Support Instrument for the 2007 Series A Bonds (acceptable to the 2007 Series A Bond Insurer) to be maintained in the Required Stated Amount to pay the Purchase Price of Tendered Bonds which are not remarketed. If a Credit Support Instrument is required to be maintained with the Trustee, at least forty (40) days prior to the Expiration Date of the existing Credit Support Instrument, including any renewals or extensions thereof (which shall not be considered the delivery of an Alternate Credit Support Instrument), the Agency shall cause to be delivered to the Trustee notice that the Agency expects the Credit Provider for the existing Credit Support Instrument to renew or extend of the term of such Credit Support Instrument or that the Agency expects to provide an Alternate Credit Support Instrument for the 2007 Series A Bonds (acceptable to the 2007 Series A Bond Insurer) satisfying the requirements of subsection (c) of this Section. If a Credit Support Instrument is required to be maintained with the Trustee, at least fifteen (15) days prior to the Expiration Date of the existing Credit Support Instrument, including any renewals or extensions thereof, the Agency shall cause to be delivered to the Trustee a renewal or extension of the term of such Credit Support Instrument or an Alternate Credit Support Instrument for the 2007 Series A Bonds satisfying the requirements of subsection (c) of this Section.

**(b)** The Agency may, at any time at its sole option, furnish an Alternate Credit Support Instrument to the Trustee in substitution for the Credit Support Instrument then in effect to provide for the payment of the Purchase Price of Tendered Bonds upon their optional or mandatory tender for purchase in accordance with Section 4.01, 4.02, 4.03 or 4.04 hereof, as applicable, if such Alternate Credit Support Instrument satisfies the following conditions and the Agency causes the documents and opinions specified in subsection (d) of this Section to be delivered to the Trustee:

(i) The Alternate Credit Support Instrument shall be issued by, or shall otherwise be an obligation of, a commercial bank, insurance company or other financial institution;

(ii) The term of the Alternate Credit Support Instrument shall be not less than one hundred eighty (180) days or such shorter period to the later of the Maturity Date or the final Redemption Date for any Outstanding 2007 Series A Bonds;

(iii) The obligations of the Credit Provider under the Alternate Credit Support Instrument to provide funds to pay the Purchase Price of Tendered Bonds without purchase shall not be subject to termination or suspension on less than five Business Days notice to the Agency and the Trustee; provided, however, that the obligations of the Credit Provider whose Credit Support Instrument provides funds only to pay the Purchase Price of Tendered Bonds may be immediately terminated or suspended without such notice upon the occurrence of such events as may be provided in the Alternate Credit Support Instrument and which are disclosed to the purchasers of the

Tendered Bonds in connection with the remarketing of the 2007 Series A Bonds upon mandatory tender for purchase pursuant to the provisions of Section 4.04;

(iv) The Alternate Credit Support Instrument must take effect upon or prior to the remarketing of the 2007 Series A Bonds upon the mandatory tender thereof for purchase pursuant to the provisions of Section 4.04 as a result of the delivery of such Alternate Credit Support Instrument; provided that the Purchase Price of Tendered Bonds so subject to mandatory tender for purchase pursuant to Section 4.04 hereof shall be payable from the then-current Credit Support Instrument and not such Alternate Credit Support Instrument; and

(v) The Alternate Credit Support Instrument must provide for payments thereunder in an amount not less than the Required Stated Amount.

**(c)** On or prior to the date of delivery of an Alternate Credit Support Instrument to the Trustee pursuant to this Section, the Agency shall cause to be furnished to the Trustee and the 2007 Series A Bond Insurer: (i) a Favorable Opinion of Bond Counsel with respect to such delivery, (ii) an opinion of counsel to the issuer of such Alternate Credit Support Instrument to the effect that such Alternate Credit Support Instrument has been duly authorized, executed and delivered by such issuer and constitutes the valid, legal and binding obligation of such issuer enforceable against such issuer in accordance with its terms; provided, however, that such opinions may be subject to such limitations and exceptions as are customarily taken in transactions such as the delivery of the Alternate Credit Support Instrument.

**(d)** If the Trustee is removed or resigns, the Trustee ceasing to act shall transfer and deliver to the successor Trustee all rights, title and interests to the Credit Support Instrument.

**Section 4.10. Termination of Credit Support Instrument; Purchase by Credit Provider; Notices.** (a) The obligation of the Credit Provider to provide funds pursuant to a Credit Support Instrument to pay the Purchase Price of Tendered Bonds may expire or be suspended automatically and without prior notice upon the occurrence of certain defaults as shall be set forth in the Credit Support Instrument subject, however, to the provisions of Section 4.09(b)(iii).

**(b)** If automatic termination or suspension of the Credit Support Instrument occurs, the Trustee shall, immediately upon receiving written notice thereof, notify the Agency, the Tender Agent, each Rating Agency, the Remarketing Agent, the 2007 Series A Bond Insurer and the Owners of all Outstanding 2007 Series A Bonds that the Credit Support Instrument has been terminated or suspended and the reasons therefor, that the Trustee will no longer be able to draw on such Credit Support Instrument to pay the Purchase Price of Tendered Bonds and the Credit Provider will be under no obligation to advance funds under such Credit Support Instrument to pay the Purchase Price of Tendered Bonds.

**(c)** (i) On the date set forth in a Notice of Mandatory Tender, the Trustee will no longer be able to draw on the Credit Support Instrument to pay the Purchase Price of Tendered Bonds. Promptly upon the receipt of a Notice of Mandatory Tender from the Credit

Provider, but in no event more than two (2) Business Days after receipt thereof, the Trustee shall give notice to the Agency, the Tender Agent, the Remarketing Agent, the 2007 Series A Bond Insurer and each Rating Agency of the receipt of the Notice of Mandatory Tender, the date of termination of the Credit Support Instrument as a result of the receipt of such Notice of Mandatory Tender and the Purchase Date on which, pursuant to Section 4.04 hereof, the 2007 Series A Bonds are subject to mandatory tender for purchase as a result of such termination. Notice of such mandatory tender of 2007 Series A Bonds for purchase shall be given to the Owners as provided in Section 4.05(c) hereof.

(ii) At least twenty (20) days prior to the Expiration Date of the Credit Support Instrument then in effect with respect to 2007 Series A Bonds, the Trustee shall give notice to the Agency, the Tender Agent, the Remarketing Agent, the 2007 Series A Bond Insurer and each Rating Agency of the scheduled Expiration Date for the Credit Support Instrument and the Purchase Date on which, pursuant to Section 4.04 hereof, the 2007 Series A Bonds are subject to mandatory tender for purchase as a result of such Expiration Date. Notice of such mandatory tender for purchase shall be given to the Owners of the 2007 Series A Bonds as provided in Section 4.05(c) hereof.

(iii) At least twenty (20) days prior to the substitution of an Alternate Credit Support Instrument for the Credit Support Instrument then in effect with respect to the 2007 Series A Bonds, the Trustee shall give notice to the Agency, the Tender Agent, the Remarketing Agent, the 2007 Series A Bond Insurer and each Rating Agency of the scheduled substitution of an Alternate Credit Support Instrument for the Credit Support Instrument then in effect and the Purchase Date on which, pursuant to Section 4.04 hereof, the 2007 Series A Bonds are subject to mandatory tender for purchase as a result of such substitution. Notice of such mandatory tender for purchase shall be given to the Owners of the 2007 Series A Bonds as provided in Section 4.05(c) hereof.

(iv) Each notice given pursuant to this subsection (c) shall be given by registered or certified mail, or by telecopy, confirmed by registered or certified mail, and shall (1) state that the Trustee may no longer draw on the Credit Support Instrument (and the Credit Provider will have no obligation) to pay (or provide funds for the payment of) the Purchase Price of Tendered Bonds after the termination date set forth in the Notice of Mandatory Tender, the Expiration Date or substitution of an Alternate Credit Support Instrument, as applicable, (2) specify the termination date established pursuant to the Notice of Mandatory Tender, the Expiration Date or the date of substitution of an Alternate Credit Support Instrument, as applicable, (3) state that the 2007 Series A Bonds are subject to mandatory tender for purchase on the Purchase Date determined pursuant to Section 4.04 hereof, which Purchase Date shall be explicitly stated, and (4) state, if applicable, the name of the provider of the proposed Alternate Credit Support Instrument and the terms thereof.

**Section 4.11. Reduction and Surrender of Credit Support Instrument.**

**(a)** Whenever requested in writing by the Agency, the Trustee shall submit to the applicable Credit Provider a reduction certificate or other appropriate documentation necessary under the applicable Credit Support Instrument to reduce the principal amount of 2007

Series A Bonds and related interest to which such Credit Support Instrument relates to reflect any purchase or redemption and the cancellation of 2007 Series A Bonds.

**(b)** If there shall have been delivered to the Trustee (i) an Alternate Credit Support Instrument meeting the requirements of Section 4.09 hereof, then the Trustee shall accept such Alternate Credit Support Instrument and, if so directed by an Authorized Agency Representative upon the effectiveness of such Alternate Credit Support Instrument and the payment of the Purchase Price of all 2007 Series A Bonds tendered or deemed tendered for purchase pursuant to Section 4.04 hereof in connection with such Alternate Credit Support Instrument (either from the proceeds of the remarketing of the 2007 Series A Bonds or from amounts made available under the applicable Credit Support Instrument being replaced by such Alternate Credit Support Instrument) promptly surrender the applicable Credit Support Instrument theretofore in effect with respect to the 2007 Series A Bonds in accordance with the respective terms thereof for cancellation; provided the Trustee shall not surrender such Credit Support Instrument until all draws or requests to purchase 2007 Series A Bonds made under such Credit Support Instrument have been honored. In the event that the Agency elects to provide an Alternate Credit Support Instrument, all the 2007 Series A Bonds secured by the Credit Support Instrument being replaced shall be subject to mandatory tender as provided in Section 4.09 hereof. If at any time all the 2007 Series A Bonds shall cease to be Outstanding hereunder or a Credit Support Instrument shall be terminated pursuant to its terms, the Trustee shall promptly surrender such Credit Support Instrument in accordance with its terms for cancellation. The Trustee shall comply with the procedures set forth in each Credit Support Instrument relating to the termination thereof.

**Section 4.12. Appointment, Duties and Qualifications of Tender Agent.**

**(a)** If the Trustee is not serving as Tender Agent, so long as the Fixed Rate Conversion Date shall not have occurred, the Fixed Index Interest Rate Conversion Date shall not have occurred or the 2007 Series A Bonds are not ARBs, in order to carry out the duties and obligations of the Tender Agent contained herein, the Agency shall appoint a Tender Agent in order to carry out such duties and obligations. The Tender Agent shall designate to the Trustee its Principal Office to signify in writing its acceptance of the duties and obligations imposed upon it under this First Supplemental Indenture. The Tender Agent shall keep such books and records with respect to its activities as Tender Agent as shall be consistent with prudent industry practice in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of all amounts held by such Tender Agent hereunder and to make such books and records available for inspection by each of the Agency and the Trustee at all reasonable times.

**(b)** Each Tender Agent shall be a banking corporation or banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least fifty million dollars ($50,000,000), subject to supervision or examination by federal or State authority and acceptable to the Credit Provider. If such banking corporation or banking association publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such banking corporation or banking

association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Tender Agent may resign by notifying the Agency, the Trustee and the Credit Provider, the Remarketing Agent, the 2007 Series A Bond Insurer and the Owners of the 2007 Series A Bonds at least thirty (30) days before the effective date of such resignation. The Agency, with the consent of the Credit Provider, may remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Trustee (if not the Tender Agent), the Remarketing Agent and the Credit Provider. No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Agency, the Credit Provider, the Trustee and the predecessor Tender Agent and if no such acceptance is delivered by the 60th day following such resignation or removal, the Trustee shall become the successor Tender Agent. In the event of the resignation or removal of a Tender Agent which is not the Trustee, such Tender Agent shall pay over, assign and deliver any moneys held by it as Tender Agent to its successor. The Tender Agent shall be entitled to the same protections, immunities and limitations from liability afforded the Trustee hereunder.

## ARTICLE V

## APPLICATION OF PROCEEDS

**Section 5.01. Application of Proceeds of 2007 Series A Bonds.** The proceeds of the sale (less underwriter's discount in the amount of $490,500.00 and less the $560,000 wired directly to the 2007 Series A Bond Insurer at closing for the costs of the bond insurance and debt service surety bond premiums at the direction of the Agency) of the 2007 Series A Bonds shall be applied simultaneously with the delivery of the 2007 Series A Bonds, as follows:

**(a)** there shall be deposited in the 2007 Series A Costs of Issuance Fund the sum of $495,000;

**(b)** the remaining balance of the proceeds of the sale of the 2007 Series A Bonds, in the amount of $63,854,500, shall be deposited in the 2007 Series A Project Fund; and

**(c)** there shall be transferred to the City of Richmond for deposit to the trust fund established for construction of the new civic center the sum of $22,000,000 from the $63,854,500 described in (b) above.

**Section 5.02. 2007 Series A Costs of Issuance Fund.**

**(a)** The Trustee shall establish and maintain in trust a separate fund designated as the "2007 Series A Costs of Issuance Fund." Money deposited in said fund shall be used to pay Costs of Issuance with respect to the 2007 Series A Bonds as provided in this Section.

**(b)** The Trustee shall make payments from the 2007 Series A Costs of Issuance Fund, except payments and withdrawals pursuant to subsection (e) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2007 Series A Costs of Issuance Fund shall be

made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized Agency Representative. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated amount is a proper charge against the 2007 Series A Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid as a Costs of Issuance of the 2007 Series A Bonds. The Trustee shall promptly issue its check to the Agency or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer, interbank transfer or other method arrange to promptly make each payment required by such requisition. The Agency shall apply, or cause to be applied, all such moneys received from the 2007 Series A Costs of Issuance Fund to the payment of the Costs of Issuance of the 2007 Series A Bonds identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Agency Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

**(c)** Upon the receipt by the Trustee of a certificate of an Authorized Agency Representative requesting the Trustee to close the 2007 Series A Costs of Issuance Fund, and after payment from the 2007 Series A Costs of Issuance Fund of all amounts included in requisitions submitted by the Agency pursuant to Section 5.02(b) hereof, the Trustee shall transfer any moneys remaining in the 2007 Series A Costs of Issuance Fund to such account or accounts in the Special Fund as directed by an Authorized Agency Representative. Upon such transfer the Trustee shall close the 2007 Series A Costs of Issuance Fund.

**(d)** Moneys held in the 2007 Series A Costs of Issuance Fund may, subject to the 2007 Series A Tax Certificate, be invested and reinvested to the fullest extent practicable in any investment in which the Agency can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2007 Series A Costs of Issuance Fund. Any investment earnings on moneys on deposit in the 2007 Series A Costs of Issuance Fund shall be deposited in the 2007 Series A Costs of Issuance Fund and be used in the same manner as other amounts on deposit in the 2007 Series A Costs of Issuance Fund.

**(e)** Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the 2007 Series A Costs of Issuance Fund shall be applied to the payment of Bond debt service when due.

**Section 5.03. 2007 Series A Project Fund.**

**(a)** The Trustee shall establish and maintain in trust a separate fund designated as the "2007 Series A Project Fund." Money deposited in said fund shall be used to pay Costs of the Project as provided in this Section.

**(b)** The Trustee shall make payments from the 2007 Series A Project Fund, except payments and withdrawals pursuant to subsection (e) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2007 Series A Project Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized Agency Representative substantially in the form of Exhibit F hereto. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost of the Project to be paid and that such payment in the stated amount is a proper charge against the 2007 Series A Project Fund and that no part of such payment shall be applied to any item which has previously been paid as a cost of the Project. The Trustee shall promptly issue its check to the Agency or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer interbank transfer or other method arrange to promptly make each payment required by such requisition. The Agency shall apply, or cause to be applied, all such moneys received by it from the 2007 Series A Project Fund to the payment of the Costs of the Project identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Agency Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

**(c)** Upon the receipt by the Trustee of a certificate of an Authorized Agency Representative requesting the Trustee to close the 2007 Series A Project Fund, and after payment from the 2007 Series A Project Fund of all amounts included in requisitions submitted by the Agency pursuant to Section 5.03 (b) hereof, the Trustee shall transfer any moneys remaining in the 2007 Series A Project Fund to such account or accounts in the Special Fund as directed by an Authorized Agency Representative. Upon such transfer, the Trustee shall close the 2007 Series A Project Fund.

**(d)** Moneys held in the 2007 Series A Project Fund may, subject to the 2007 Series A Tax Certificate, be invested and reinvested to the fullest extent practicable in any investment in which the Agency can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2007 Series A Project Fund. Any investment earnings on moneys on deposit in the 2007 Series A Project Fund shall be deposited in the 2007 Series A Project Fund and be used in the same manner as other amounts on deposit in the 2007 Series A Project Fund. Until the 2007 Series A Project Fund is closed as provided in subsection (c) of this Section, 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 derived from proceeds of the 2007 Series A Bonds in the Interest Account created under the Indenture shall be paid into the 2007 Series A Project Fund.

**(e)** In the event of redemption of all the 2007 Series A Bonds or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the 2007 Series A

Project Fund shall be transferred to such account or accounts in the Special Fund as directed by an Authorized Agency Representative.

**Section 5.04. 2007 Series A Coverage Reserve Subaccount**

**(a)** The Trustee shall establish and maintain within the Debt Service Reserve Account a sub-account known as the "2007 Series A Coverage Reserve Subaccount." Amounts in the 2007 Series A Coverage Reserve Subaccount shall be applied as provided in Section 5.04(a)(4) of the Master Indenture to the payment of the 2007 Series A Bonds prior to any draw on the 2007 Series A Surety Bond.

**(b)** On or before November 1 of each year, commencing November 1, 2007, the Agency shall file with the Trustee (with a copy to the 2007 Series A Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing the following calculations for each Fiscal Year until the final maturity of the Outstanding Parity Obligations:

(i) the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter;

(ii) the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; and

(iii) the greatest amount in dollars for any Fiscal Year by which the amount calculated in subparagraph (i) above is less than 1.35 times the amount calculated in subparagraph (ii) above. The amount calculated in this subparagraph (iii) is the "2007 Series A Coverage Reserve Requirement."

For the purposes of the calculations required by this section, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at

least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in Section 7.02), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

**(c)** In the event that the 2007 Series A Coverage Requirement is greater than zero, the Agency shall, form any source of legally available funds, transfer to the Trustee for deposit in the 2007 Series A Coverage Subaccount an amount equal to the difference, if any, between the amount on deposit therein and the 2007 Series A Coverage Reserve Requirement.

**(d)** After the 2007 Series A Coverage Reserve Termination Date, the provisions of this Section 5.04 shall cease to be effective and the Trustee shall transfer any amounts on deposit in the 2007 Series A Coverage Reserve Subaccount to the Agency.

## ARTICLE VI

## CERTAIN TAX MATTERS

**Section 6.01. Tax Covenants.**

**(a)** The Agency covenants that 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 exclusion from gross income of the interest on the 2007 Series A Bonds under Section 103 of the Code. The Agency shall not directly or indirectly use or permit the use of any proceeds of the 2007 Series A Bonds in such a manner as would adversely affect the exclusion of interest on any 2007 Series A Bonds from gross income under Section 103 of the Code. The Agency shall not directly or indirectly use or permit the use of any proceeds of any 2007 Series A Bonds, or of any facilities financed thereby, or other funds of the Agency, or take or omit to take any action, that would cause any 2007 Series A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Agency shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2007 Series A Bonds. In the event that at any time the Agency is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Agency shall so instruct the Trustee in writing, and the Trustee shall take such action as may be directed in such instructions.

**(b)** The Agency specifically covenants that:

(i) Except as approved in a Favorable Opinion of Bond Counsel, the Agency shall not allow the amount of Gross Proceeds of the 2007 Series A Bonds invested during any Bond Year in Nonpurpose Investments with a Yield in excess of the Yield on the 2007 Series A Bonds to exceed the lesser of (a) one hundred fifty percent (150%) of the scheduled debt service on the 2007 Series A Bonds for that Bond Year or

(b) the amounts on deposit in the Debt Service Reserve Account and attributed to the 2007 Series A Bonds (provided that such amounts do not exceed ten percent (10%) of the proceeds of the 2007 Series A Bonds) plus $100,000.

(ii) The Agency shall pay or cause to be paid the Rebate Requirement as provided in the 2007 Series A Tax Certificate.

(iii) The Agency shall determine the amount of and cause to be deposited in the Rebate Fund the Rebate Requirement as provided in the 2007 Series A Tax Certificate (which is incorporated herein by reference as if set forth in full herein). Subject to the provisions of this Section, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States of America, and the Agency and the Owners of the 2007 Series A Bonds shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund as directed in writing by an Authorized Agency Representative.

Upon receipt of the Rebate Instructions required to be delivered to the Trustee, the Trustee shall remit part or all of the balance held in the Rebate Fund, together with any completed forms to be filed therewith prepared by the Agency and delivered with such Rebate Instructions, to the United States of America to the extent so directed, including rebate due in connection with any Series of 2007 Series A Bonds. In addition, if the Rebate Instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such Accounts or Funds as the Rebate Instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this Section if it follows the directions of the Agency set forth in the Rebate Instructions and shall not be required to take any actions thereunder in the absence of Rebate Instructions from an Authorized Agency Representative.

**(c)** For purposes of this Section, capitalized terms not defined pursuant to Section 1.03 hereof shall have the meanings ascribed to such terms in the 2007 Series A Tax Certificate.

**Section 6.02. Rebate Fund.** For purposes of complying with tax covenants contained in the Indenture, there is hereby established a fund designated the "2007 Series A Rebate Fund" to be held by the Trustee. Amounts on deposit in the Rebate Fund shall be applied as provided in Section 6.01 hereof.

## ARTICLE VII

## MISCELLANEOUS

**Section 7.01. Indenture to Remain in Effect.** Save and except as supplemented by this First Supplemental Indenture, the Master Indenture shall remain in full force and effect.

**Section 7.02. Provisions Relating to Credit Provider.** All provisions hereof regarding consents, approvals, directions, appointments or requests by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, appointments or requests by the

Credit Provider during any time in which no Credit Support Instrument is in effect and no amounts are owing to the Credit Provider, or such Credit Provider has failed to honor a demand for payment presented to it in strict conformance with the applicable provisions of the Credit Support Instrument, or after the Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or while such Credit Provider is denying further liability or obligation under the Credit Support Instrument (unless such Credit Support Instrument has been fully drawn or to the extent that the conditions to payment thereunder have not been fully satisfied) or after such Credit Provider has rescinded, repudiated or terminated the Credit Support Instrument and no amounts are owing to the Credit Provider; provided, however, that nothing contained in this Section shall limit the rights of the Credit Provider as an Owner of Credit Provider Bonds.

All provisions herein relating to the Credit Provider shall be of no force and effect with respect to a particular Credit Provider if the applicable Credit Support Instrument is not in effect, there are no related Credit Provider Bonds and all amounts owing to such Credit Provider under the applicable Credit Support Instrument have been paid.

**Section 7.03. Provisions Relating to Termination Payments under the 2007 Swap.** **(a)** Termination Payments payable pursuant to the 2007 Swap are hereby deemed Subordinated Obligations, and the Agency hereby grants a lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues to secure its obligations to make such 2007 Swap Termination Payments, which lien on, security interest in and pledge shall be subordinate and junior in all respects to the payment of the Bonds and Parity Obligations hereunder.

**(b)** In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the payment of any 2007 Swap Termination Payments from the Subordinate Pledged Tax Revenues.

**(c)** If any payment default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (b) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Indenture before the payment of any 2007 Swap Termination Payments from the Subordinate Pledged Tax Revenues, subject to the provisions of (e) below.

**(d)** No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in her right to enforce subordination of the 2006 Swap Termination Payments by any act or failure to act on the part of the Agency or the Trustee.

**(e)** The provisions of (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding

Parity Obligations on the one hand, and the counterparty to the 2007 Swap with respect to Termination Payments thereunder, if any, on the other hand, and nothing therein shall impair the obligation of the Agency to pay such 2007 Swap Termination Payments, nor shall anything therein prevent the counterparty to the 2007 Swap from exercising all remedies otherwise permitted by applicable law or upon default thereunder, subject to the rights under (b), (c) and (d) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the counterparty to the 2007 Swap with respect to Termination Payments thereunder.

**Section 7.04. Continuing Disclosure.** The Agency hereby covenants and agrees, whenever a Long-Term Interest Rate Period is in effect with respect to the 2007 Series A Bonds, or if otherwise required by Rule 15c2-12, to comply with the continuing disclosure requirements for the 2007 Series A Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the requirements of Rule 15c2-12 applicable to the 2007 Series A Bonds, as it may from time to time hereafter be amended or supplemented, or failure of the Agency to comply with the 2007 Series A Continuing Disclosure Agreement shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due hereunder as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding 2007 Series A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations in this Section and such continuing disclosure agreement.

**Section 7.05. Notice to Rating Agencies; Notice to Auction Agent.**

**(a)** The Trustee or the Agency, as appropriate, shall provide each Rating Agency with prompt written notice of (a) the appointment of any successor Trustee, Paying Agent or Remarketing Agent, (b) the date no 2007 Series A Bonds are Outstanding, (c) any material amendments to the Indenture, this First Supplemental Indenture or the Credit Support Instrument, (d) any expiration, substitution, termination or extension of the Credit Support Instrument, (e) the occurrence of a Conversion to a Long Term Interest Rate Period, a Commercial Paper Interest Rate Period, or an ARB Interest Rate Period, (f) any acceleration of the 2007 Series A Bonds pursuant to Section 10.04 of the Indenture, (g) any redemption in whole of the 2007 Series A Bonds and (h) any mandatory tender of the 2007 Series A Bonds.

**(b)** The Trustee shall provide the Auction Agent with copies of any written notices related to the 2007 Series A Bonds while such bonds are ARBs.

**Section 7.06. Notices.** Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the Agency, the Trustee, the Auction Agent, the Borker-Dealers, the 2007 Series A Bond Insurer, the Remarketing Agent, and the Rating Agencies, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage prepaid, addressed to the appropriate address provided pursuant to this Section, six Business

Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

| | |
|---|---|
| If to the Agency: | Richmond Community Redevelopment Agency<br>City of Richmond<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director |
| If to the Trustee: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department |
| If to the Auction Agent: | Wells Fargo Bank, N.A.<br>45 Broadway, 12th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services |
| If to the Broker-Dealer | RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Managing Director |
| If to the 2007 Series A Bond Insurer: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: Insured Portfolio Management, Public Finance Group |
| If to Fitch: | Fitch Ratings<br>1 State Street Plaza<br>New York, New York 10004<br>Attention: Municipal Structured Finance |
| If to S&P, to: | Standard & Poor's Ratings Services<br>55 Water Street, 38th Floor<br>New York, New York 10041<br>Attention: Municipal Structured Group |
| If to Moody's, to: | Moody's Investors Service, Inc.<br>99 Church Street, 8th Floor<br>New York, NY 10007<br>Attention: IPM, Public Finance Group |

The Agency, the Trustee, the 2007 Series A Certificate Provider, the 2007 Series A Bond Insurer, the Rating Agencies, and the Remarketing Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the Agency, the Trustee, the 2007 Series A Certificate Provider, the 2007 Series A Bond Insurer, the Rating Agencies or the Remarketing Agent, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of Electronic Notice.

**Section 7.07. Counterparts.** This First Supplemental Indenture may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Richmond Community Redevelopment Agency has caused these presents to be signed in its name and on its behalf by its Executive Director and attested by its Secretary and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the 12 day of July, 2007.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Name: Steve Duran
Title: Executive Director

Attest:

_____
Clerk

Union Bank of California, N.A., as Trustee

By_____
Authorized Officer

**EXHIBIT A**

**FORM OF 2007 Series A BONDS**

[bracketed language applies only to 2007 Series A Bonds to be registered in the name of CEDE & CO.]

[UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS)**
**2007 SERIES A**

No. R-_____ $_____

| Interest Rate | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| Variable | ____, 2007 | ____, 20__ | |

Registered Owner: CEDE & CO.

Principal Amount:

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, on the Maturity Date specified above (unless this Bond shall have been previously called for redemption in whole or in part and payment of the Redemption Price shall have been duly made), the Principal Amount specified above, in lawful money of the United States of America and to pay interest thereon (but only from said the Subordinate Pledged Tax Revenues and other assets pledged therefor pursuant to

the Indenture) in like lawful money until payment of such principal sum shall be discharged as provided in the Indenture, at the rates determined as described below, payable on each Interest Payment Date.

The principal or, if applicable, the Redemption Price hereof is payable upon surrender hereof at the designated corporate trust office of Union Bank of California, N.A. (together with any successor Trustee as provided in the Indenture the "Trustee"). Interest hereon is payable by check mailed on each Interest Payment Date to the Owner hereof as of the applicable Record Date at the address appearing on the Bond Register maintained by the Trustee; provided Owners of at least $1,000,000 aggregate principal amount of 2007 Series A Bonds may, at any time prior to a Record Date, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such 2007 Series A Bonds by wire transfer or by deposit to an account; and provide further that in the case of 2007 Series A Bonds bearing interest at Commercial Paper Rates (as hereinafter described), if the Trustee shall have been provided written wire transfer instructions, by wire transfer, provided that while the 2007 Series A Bonds bear interest at Commercial Paper Rates, except for 2007 Series A Bonds registered in the name of the Securities Depository (as defined in the Indenture mentioned below), interest payable hereon is payable only upon presentation hereof to the Trustee, at its Principal Office (hereinafter identified).

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)" (the "Bonds") and of a Series of the Bonds designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A" (the "2007 Series A Bonds"). The 2007 Series A Bonds are issued pursuant to the Law and the Redevelopment Plan. The 2007 Series A Bonds have been issued in the aggregate principal amount of $65,400,000. The 2007 Series A Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Subordinate Pledged Tax Revenues and other assets pledged therefor under, and entitled to the protection given by, the Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, as supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee (said Indenture of Trust, as supplemented and as the same may be amended and supplemented from time to time, is herein called the "Indenture").

As provided in the Indenture, Bonds of the Agency may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

Copies of the Indenture are on file with the Agency and at the Principal Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Agency, the Trustee and the

Owners of the Bonds and the terms upon which the Bonds are secured under the Indenture, the rights and remedies of the Owners of the 2007 Series A Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. The Indenture provides that other Parity Obligations secured by a pledge of the Subordinate Pledged Tax Revenues on a parity with the Bonds may be issued or incurred by the Agency on the terms set forth therein. By acceptance of this Bond, the Registered Owner accepts and agrees to the terms of the Indenture.

This Bond does not constitute a charge against the general credit of the Agency but is a limited obligation of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture. This Bond is not secured by a legal or equitable pledge of, or lien or charge upon, any property of the 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 therein. This Bond is not a debt of the City of Richmond, 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 this Bond constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in the Indenture). This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond or in respect of any undertakings by the Agency under the Indenture.

The 2007 Series A Bonds were issued for the purpose of providing a portion of the moneys to finance costs of the Project and related purposes.

Credit Provider Bonds

2007 Series A Bonds purchased or otherwise paid with funds made available under any Credit Support Instrument constitute Credit Provider Bonds for purposes of the Indenture. The terms of Credit Provider Bonds, including the interest rates thereon, the Interest Payment Dates therefor, the redemption, including mandatory redemption, thereof and certain other terms may be different from 2007 Series A Bonds which are not Credit Provider Bonds.

Interest on the 2007 Series A Bonds

The term of the 2007 Series A Bonds will be divided into consecutive Interest Rate Periods each of which will be one of the following: (i) a Daily Interest Rate Period during which the 2007 Series A Bonds will accrue at Daily Interest Rates; (ii) a Weekly Interest Rate Period during which interest on the 2007 Series A Bonds will bear interest at Weekly Interest Rates; (iii) a Long-Term Interest Rate Period, during which interest on the 2007 Series A Bonds will bear interest at a Long-Term Interest Rate; (iv) a Commercial Paper Interest Rate Period

during which interest on the 2007 Series A Bonds will bear interest at Commercial Paper Interest Rates; (v) an Index Interest Rate Period, during which interest on the 2007 Series A Bonds will bear interest at a Index Interest Rate; or (vi) an ARB Interest Rate Period during which the 2007 Series A Bonds will bear interest at Auction Period Rates. The initial Interest Rate Period for the 2007 Series A Bonds shall be an ARB Interest Rate Period commencing on and including the Delivery Date. The Interest Rate Period for the 2007 Series A Bonds thereafter may be Converted from time to time to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period or an Index Interest Rate Period and thereafter again Converted as described in the Indenture.

Interest on each 2007 Series A Bond shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date from such Interest Accrual Date or if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date; provided, however, that if, as shown by the Bond Register, interest on the 2007 Series A Bonds shall be in default, interest on 2007 Series A Bonds issued in exchange for 2007 Series A Bonds surrendered for registration of transfer or exchange shall accrue from the Interest Accrual Date to which interest has been paid in full on the 2007 Series A Bonds or, if no interest has been paid on the 2007 Series A Bonds, from the Delivery Date.

For each Daily Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date prior to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. For each Weekly Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). For each Commercial Paper Interest Rate Period interest on each 2007 Series A Bond shall be payable on each Interest Payment Date for such 2007 Series A Bond for the period commencing on (and including) the immediately preceding Interest Accrual Date for such 2007 Series A Bond and ending on the day immediately preceding such Interest Payment Date. For each Long-Term Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. For each Index Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each Interest Payment Date for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month to (but excluding) such Interest Payment Date. For each ARB Interest Rate Period, interest on the 2007 Series A Bonds shall be payable on each ARB Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the 2007 Series A Bonds shall be payable for

the final Interest Rate Period to but not including the date on which the 2007 Series A Bonds shall have been paid in full. In any event, interest on the 2007 Series A Bonds shall be payable for the final Interest Rate Period but not including to the date on which the 2007 Series A Bonds shall have been paid in full.

Interest on the 2007 Series A Bonds shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, in the case of an ARB Interest Rate Period of less than 180 days, on the basis of a 360-day year and the number of days actually elapsed, in the case of an ARB Interest Rate Period equal to or more than 180 days, on the basis of a 360-day year of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365- or 366-day year, as the case may be, for the actual number of days elapsed.

The term "Interest Accrual Date" means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each March 1 and September 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

The term "Interest Payment Date" means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 or September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each 2007 Series A Bond in each Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

The term "Record Date" means (i) with respect to each Interest Payment Date for 2007 Series A Bonds in a Daily Interest Rate Period, the last day of the calendar month preceding the month in which such Interest Payment Date falls, (ii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Weekly Interest Rate Period, an Index Interest Rate Period or a Commercial Paper Interest Rate Period, the Business Day immediately preceding the such Interest Payment Date, (iii) with respect to each Interest Payment Date for 2007 Series A Bonds in a Long-Term Interest Rate Period, the fifteenth day of the month preceding the month in which such Interest Payment Date falls, and (iv) with respect to each Interest Payment Date

for 2007 Series A Bonds which are ARBs, the second Business Day next preceding the applicable ARB Interest Payment Date.

The interest rates on the 2007 Series A Bonds shall be determined as described below provided that no interest rate or any 2007 Series A Bond may exceed the Maximum Interest Rate:

(1) Daily Interest Rate. During each Daily Interest Rate Period, the 2007 Series A Bonds shall bear interest at Daily Interest Rates, which, except as otherwise provided in the Indenture, shall be determined by the Remarketing Agent by no later than 9:30 a.m., New York City time, on each Business Day during such Daily Interest Rate Period. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Interest Rate for any day, then the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding day if the Daily Interest Rate for such preceding day was determined by the Remarketing Agent. In the event that the Daily Interest Rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal to 110% of the SIFMA Index made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Daily Interest Rate would otherwise be determined as provided in the Indenture.

(2) Weekly Interest Rate. During each Weekly Interest Rate Period, the 2007 Series A Bonds shall bear interest at Weekly Interest Rates, which, except as otherwise provided in the Indenture, shall be determined for each Calendar Week by the Remarketing Agent by no later than 5:00 p.m., New York City time, on the Wednesday immediately preceding each Calendar Week, or if such day shall not be a Business Day, then by 12:00 noon, New York City time, on the next succeeding Business Day; provided, however, that if the 2007 Series A Bonds are to be Converted to a Weekly Interest Rate Period from another Interest Rate Period, the Weekly Interest Rate for the initial Calendar Week of such Weekly Interest Rate Period shall be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell the 2007 Series A Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any Calendar Week, then the Weekly Interest Rate for such Calendar Week shall be the same as the

Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding Calendar Week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding Calendar Week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such Calendar Week shall be equal to the Variable Index on the day such Weekly Interest Rate would otherwise be determined as provided in the Indenture.

The term "Calendar Week" means, with respect to the 2007 Series A Bonds in a Weekly Interest Rate Period, the period during which the 2007 Series A Bonds bear interest at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

(3) Long-Term Interest Rate. During each Long-Term Interest Rate Period, the 2007 Series A Bonds shall bear interest at the Long-Term Interest Rate determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Interest Rate Period. The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on then prevailing market conditions) to be the minimum interest rate which, if borne by the 2007 Series A Bonds, would enable the Remarketing Agent to sell the 2007 Series A Bonds at a price (without regarding accrued interest) equal to the principal amount thereof (or at a discount below or premium above par if Bond Counsel delivers a Favorable Opinion of Bond Counsel to the Trustee). If, for any reason, the Long-Term Interest Rate is not so determined for the Long-Term Interest Period by the Remarketing Agent on or prior to the first day of such Long-Term Interest Period, then a Weekly Interest Rate Period shall automatically commence on the proposed Conversion Date to the Long-Term Interest Rate Period and the 2007 Series A Bonds shall bear interest at Weekly Interest Rates and shall continue to bear interest at Weekly Interest Rates until such time as the Interest Rate Period for the 2007 Series A Bonds shall have been Converted to another Interest Rate Period as provided in the Indenture.

(4) Commercial Paper Term Rates. During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall bear interest during each Commercial Paper Term for such 2007 Series A Bond at the Commercial Paper Term Rate. The Commercial Paper Term and the Commercial Paper Term Rate need not be the same for all the 2007 Series A Bonds, even if determined on the same date. Each of such Commercial Paper Terms and Commercial Paper Term Rates for each 2007 Series A Bond shall be determined by the Remarketing Agent no later than the first day of each Commercial Paper Term. Each Commercial Paper Term shall be for a period of days within the range or ranges announced as possible Commercial Paper Terms no later than

9:30 a.m., New York City time, on the first day of each Commercial Paper Term by the Remarketing Agent. Each Commercial Paper Term for each 2007 Series A Bond shall be a period of not more than one hundred eighty (180) days, shall end not later than twenty (20) Business Days prior to the Expiration Date of any Credit Support Instrument, shall be determined by the Remarketing Agent to be the period, except as provided in the Indenture with respect to a Conversion of the Interest Rate Period for the 2007 Series A Bonds, which, together with all other Commercial Paper Terms for all 2007 Series A Bonds then Outstanding, will result in the lowest overall interest expense on the 2007 Series A Bonds over the next succeeding one hundred eighty (180) days. If, for any reason, a Commercial Paper Term for any 2007 Series A Bond is not so determined by the Remarketing Agent, or if the determination of such Commercial Paper Term is held by a court of law to be invalid or unenforceable, then such Commercial Paper Term shall be thirty (30) days, but if the last day so determined shall not be a day immediately preceding a Business Day, shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, shall end on the day immediately preceding the Maturity Date.

The Commercial Paper Term Rate for each Commercial Paper Term for each 2007 Series A Bond during a Commercial Paper Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2007 Series A Bond, would enable the Remarketing Agent to sell such 2007 Series A Bond on the effective date of such rate at a price equal to the principal amount thereof. If, for any reason, a Commercial Paper Term Rate for any 2007 Series A Bond is not so established by the Remarketing Agent for any Commercial Paper Term, or if such Commercial Paper Term Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Term Rate for such Commercial Paper Term shall be the rate per annum equal to the Variable Index on the first day of such Commercial Paper Term.

(5) Index Interest Rates. During each Index Interest Rate Period, the 2007 Series A Bonds shall bear interest at Index Interest Rates. The Index Interest Rate for the 2007 Series A Bonds for each Index Bond Calculation Period shall be calculated as the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period. Such rate shall be multiplied against the face amount of the Index Bonds to determine the interest payable on the Interest Payment Date following such Index Bond Calculation Period (but shall not exceed the Maximum Interest Rate).

"Index Bond Calculation Period" for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

"Index Bond Reset Date" means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

"Index Interest Rate" means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in the Indenture, but not to exceed the Maximum Interest Rate.

"MMD" means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Agency. The MMD as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Adjusted Rate" means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Initial Rate" means the applicable rate for each Index Bond as designated by the Agency at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

"MMD Maturity" means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to a Series of Index Bonds.

(6) Auction Period Rates. During each ARB Interest Rate Period, the 2007 Series A Bonds shall bear interest at rates determined by the periodic application of the Auction Procedures, as provided in the Indenture.

The Trustee shall give notice to the Owners of the 2007 Series A Bonds by first class mail of a Conversion in the Interest Rate Period prior to the effective date of such Interest Rate Period as provided in the Indenture.

Tender of 2007 Series A Bonds for Purchase at Option of Owner. During each Daily Interest Rate Period, the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interests in such 2007 Series A Bond), or a portion thereof as described below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice, or telephone notice promptly confirmed in writing, which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase. The

Purchase Date for any 2007 Series A Bond (or portion thereof) in a Daily Interest Rate Period for which the Owner (or Beneficial Owner, as applicable) has given such notice of tender for purchase shall be the date of delivery of such notice to the Tender Agent or such later Business Day as shall be specified in such notice. Any such notice of tender for purchase delivered to the Tender Agent after 11:00 a.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a 2007 Series A Bond, both the portion of the 2007 Series A Bond being tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

During each Weekly Interest Rate Period the Owner (or with respect to a Book-Entry Bond, the Beneficial Owner through its direct Participant in the Securities Depository) of a 2007 Series A Bond may tender such 2007 Series A Bond (or with respect to a Book-Entry Bond, its interest in such 2007 Series A Bond), or a portion thereof as described below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing Agent, of an irrevocable written notice which states the principal amount of such 2007 Series A Bond (or the portion thereof) that is being irrevocably tendered for purchase and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a Bond, both the portion of the 2007 Series A Bond tendered for purchase and the portion not so tendered shall be in an Authorized Denomination.

The giving of notice by an Owner or Beneficial Owner of a 2007 Series A Bond to have such 2007 Series A Bond purchased shall constitute the irrevocable tender for purchase of such 2007 Series A Bond, regardless of whether Proper Delivery of such 2007 Series A Bond is made to the Tender Agent on the applicable Purchase Date.

Mandatory Tender Following Commercial Paper Term. During each Commercial Paper Interest Rate Period, each 2007 Series A Bond shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the day next succeeding the last day of each Commercial Paper Term for such 2007 Series A Bond, unless such day is the first day of a new Interest Rate Period for such 2007 Series A Bond (in which event such 2007 Series A Bond shall be subject to mandatory tender for purchase as described below).

Mandatory Tender on First Day of Interest Rate Period. The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price, on the first day of each Interest Rate Period (other than upon the Conversion from a Daily Interest Rate Period to a Weekly Interest Rate Period or the Conversion from a Weekly Interest Rate Period to a Daily Interest Rate Period) and (except for any Conversion from an ARB Interest Rate Period), on the proposed Conversion Date specified in the notice of the Conversion to an alternate Interest Rate Period given to the Owners.

Mandatory Tender Upon Termination or Expiration of Credit Support Instrument. The 2007 Series A Bonds shall be subject to mandatory tender for purchase, at the applicable Purchase Price: (a) on a Business Day which is not less than five (5) days prior to termination of

any Credit Support Instrument then in effect with respect to the 2007 Series A Bonds upon the delivery of an Alternate Credit Support Instrument; (b) on the fifth Business Day following the Trustee's receipt of a Notice of Mandatory Tender; or (c) on a Business Day which is not less than five (5) days prior to the Expiration Date of the Credit Support Instrument then in effect with respect to the 2007 Series A Bonds.

Notice of Mandatory Tender. Notice of each mandatory tender of the 2007 Series A Bonds for purchase (other than following each Commercial Paper Term as to which no notice will be given) shall be given as provided in the Indenture.

Purchase Price.

The term "Purchase Price" means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price which would have been applicable to the redemption of such Tendered Bond on such Purchase Date if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

Sources of Payment of Purchase Price.

The Purchase Price of 2007 Series A Bonds payable upon optional or mandatory tender for purchase is payable solely from the proceeds of the remarketing of such 2007 Series A Bonds and amounts provided pursuant to a Credit Support Instrument for the 2007 Series A Bonds. The Agency has no obligation to provide any funds for the payment of such Purchase Price.

Purchase Price Payable Only on Proper Delivery.

The Purchase Price of any Tendered Bond purchased pursuant to the Indenture shall be payable only upon Proper Delivery of such Tendered Bond to the Tender Agent. If Proper Delivery of any Tendered Bond is made by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Indenture) in immediately available funds on the date such Proper Delivery is made and if such Proper Delivery is made after 10:00 a.m., New York City time, on such Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Indenture) in immediately available funds on the Business Day immediately succeeding such date of Proper Delivery.

The term "Proper Delivery" means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Undelivered Bonds. The Tender Agent may refuse to accept delivery of any Tendered Bond as to which Proper Delivery has not been made; such refusal, however, shall not affect the validity of the purchase of such Tendered Bond either upon the remarketing thereof as herein provided or upon the purchase of such Tendered Bond from a draw on any Credit Support Instrument. For all purposes of the Indenture, the Tender Agent shall determine whether there has been Proper Delivery of Tendered Bonds. Such determination shall be binding on the Owners of the 2007 Series A Bonds, the Agency and the Remarketing Agent, absent manifest error. If the Owner or Beneficial Owner of a 2007 Series A Bond who has given notice of optional tender for purchase, or any Owner of a 2007 Series A Bond subject to mandatory tender for purchase, fails to make Proper Delivery of such 2007 Series A Bond to the Tender Agent by 10:00 a.m. New York City time on the applicable Purchase Date and if moneys equal to the Purchase Price of all 2007 Series A Bonds to be purchased on such Purchase Date in accordance with the Indenture shall be available to the Tender Agent for the payment thereof, such Tendered Bond shall constitute an Undelivered Bond. From and after the applicable Purchase Date, (1) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Indenture; (2) interest shall no longer accrue with respect to such Undelivered Bond; (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Tender Agent in the Bond Purchase Fund for the benefit of the Owner of such Undelivered Bond, to be paid when Proper Delivery of such Undelivered Bond is made to the Tender Agent; and (4) the Owner of such Undelivered Bond shall have no rights with respect to such Undelivered Bond except to receive the Purchase Price thereof from the funds held by the Tender Agent in the Bond Purchase Fund for such purpose and only upon Proper Delivery of such 2007 Series A Bond to the Tender Agent.

The above-described provisions for the optional and mandatory tender of the 2007 Series A Bonds for purchase shall not apply at any time this Bond is a Pledged 2007 Series A Bond or this Bond is owned by, for the account of, or on behalf of, the Agency.

BY ACCEPTANCE OF THIS BOND, EACH OWNER IRREVOCABLY AGREES THAT, IF THIS BOND IS TO BE PURCHASED ON ANY DATE AND SUFFICIENT FUNDS ARE ON DEPOSIT WITH THE TENDER AGENT FOR ALL PURCHASES TO BE MADE ON SUCH DATE AS AFORESAID, THIS BOND SHALL BE DEEMED TO HAVE BEEN PURCHASED FOR ALL PURPOSES UNDER THE INDENTURE AND, THEREAFTER, THE OWNER SHALL HAVE NO FURTHER RIGHTS

HEREUNDER OR UNDER THE INDENTURE WITH RESPECT TO THIS BOND, EXCEPT TO RECEIVE THE PURCHASE PRICE FOR THIS BOND FROM THE FUNDS SO DEPOSITED UPON PROPER DELIVERY HEREOF AS AFORESAID.

The Purchase Price of any 2007 Series A Bonds payable upon optional or mandatory tender is payable solely from the proceeds of the remarketing of such 2007 Series A Bonds and amounts provided pursuant to a Credit Support Instrument for the 2007 Series A Bonds. The Agency has no obligation to provide any funds for the payment of such Purchase Price.

Optional Redemption. While any Daily Interest Rate Period, Weekly Interest Rate Period or Index Interest Rate Period is in effect the 2007 Series A Bonds are subject to redemption, at the option of the Agency, in whole or in part, (in such amounts as may be specified by the Agency), on any date at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. While any Commercial Paper Rate Commercial Paper Interest Rate Period is in effect, the 2007 Series A Bonds are also subject to optional redemption by the Agency, in whole or in part (in such amounts as may be specified by the Agency), on the day succeeding the last day of each Commercial Paper Term at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. While any Long-Term Interest Rate Period is in effect, the 2007 Series A Bonds are subject to redemption at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on the first day of such Long-Term Interest Rate Period at a Redemption Price equal to the principal amount of such 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium, and thereafter, during the periods specified below (or, if approved by a Favorable Opinion of Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the Agency to the Trustee) in whole or in part (in such amounts as may be specified by the Agency) on any date, at the Redemption Prices (expressed as a percentage of principal amount of the 2007 Series A Bonds to be redeemed) hereinafter indicated (or specified in the notice of the Agency to the Trustee), plus unpaid accrued interest thereon, to the date fixed for redemption:

| Length of Long-Term Interest Rate Period (expressed in years) | Redemption Price |
|---|---|
| greater than 15 | after 10 years at 101% declining by 1% every year to 100% |
| less than or equal to 15 and greater than 10 | after 7 years at 101% declining by 1% every year to 100% |
| less than or equal to 10 and greater than 7 | after 5 years at 101% declining by 1% every year to 100% |
| less than or equal to 7 and greater than 4 | after 3 years at 101% declining by 1% every year to 100% |
| less than or equal to 4 | after 2 years at 100% |

Optional Redemption During ARB Interest Rate Period. While any ARB Interest Rate Period is in effect, the 2007 Series A Bonds are subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency), on any ARB Interest Payment Date at a Redemption Price equal to the principal amount of 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium.

After any partial redemption, there shall not be less than $10,000,000 in aggregate principal amount of 2007 Series A Bonds outstanding unless otherwise consented to by the Broker-Dealer.

If any 2007 Series A Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the issuer shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such ARBs to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such ARBs immediately following such Auction settlement, and (3) the Securities Depository Redemption

Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

Mandatory Redemption. The 2007 Series A Bonds are subject to mandatory redemption, in part, on any September 1 on and after September 1, 2008, at a Redemption Price equal to the principal amount of the 2007 Series A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium, from the Sinking Fund Installments established for the 2007 Series A Bonds in the Indenture. Notwithstanding the foregoing, when any 2007 Series A Bond to be redeemed pursuant to the preceding sentence is subject to an ARB Interest Rate Period, if such September 1 is not an ARB Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARB Interest Payment Date immediately preceding such September 1.

Terms of Redemption. If less than all of the 2007 Series A Bonds are to be redeemed, the particular 2007 Series A Bonds to be redeemed shall be selected as provided in the Indenture.

The 2007 Series A Bonds are payable upon redemption upon surrender thereof at the Principal Office of the Trustee. The Trustee shall give notice, in the name of the Agency, of the redemption of 2007 Series A Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Redemption Date to the Owners of any 2007 Series A Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice shall specify the Series and maturity of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the 2007 Series A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such 2007 Series A Bonds so to be redeemed, and, in the case of 2007 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such redemption date there shall become due and payable upon each 2007 Series A Bond to be redeemed the Redemption Price thereof (or the Redemption Price of the specified portions of the principal amount thereof to be redeemed in the case of 2007 Series A Bonds to be redeemed in part only) and that from and after such date interest on such 2007 Series A Bond (or the portion of such 2007 Series A Bond to be redeemed) shall cease to accrue and be payable.

Receipt of such notice of redemption shall not be a condition precedent to the redemption of 2007 Series A Bonds and failure of any Owner of a 2007 Series A Bond to receive any such notice or any insubstantial defect in such notice shall not affect the validity of the proceedings for the redemption of 2007 Series A Bonds.

In the event that funds required to pay the Redemption Price of the 2007 Series A Bonds are not on deposit with the Trustee at the time the notice with respect to the redemption of 2007 Series A Bonds at the option of the Agency is given, such notice shall state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the 2007 Series A Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Agency shall not be required to redeem such 2007 Series A Bonds. In

the event a notice of redemption of 2007 Series A Bonds contains such a condition and such moneys are not so received, the redemption of 2007 Series A Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of 2007 Series A Bonds pursuant to the conditional notice of redemption.

If (i) any 2007 Series A Bonds are called for redemption while any ARB Interest Rate period is in effect, and (ii) such redemption is conditional upon receipt of funds by the Trustee, then such funds for redemption must be deposited with the Trustee no less than five (5) Business Days prior to the stated redemption date or notice thereof shall be rescinded (with such notice of rescission sent to the Auction Agent and any other recipient of the original redemption notice).

Amendment of Indenture. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Agency with, in certain cases, the written consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Bonds would be affected thereby, with such consent of the Owners of a majority in principal amount of the affected Outstanding Bonds; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of such consent. While the 2007 Series A Bonds are Tender Indebtedness, the consent of the Owners of such 2007 Series A Bonds shall not be required for any amendment to the Indenture upon giving such Owners notice of the amendment while such Owners may tender their 2007 Series A Bonds for purchase as provided in the Indenture. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The provisions of the First Supplemental Indenture relating to ARBs bearing interest at an Auction Period Rate may be amended as provided in the Indenture.

The Indenture may also be amended or supplemented without the necessity of the consent of the Owners of the 2007 Series A Bonds for any one or more of the purposes specified in the Indenture.

Transfer of Bond. This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the Principal Office of the Trustee, by the registered owner hereof, or by his duly authorized attorney, upon surrender of this Bond together

with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Thereupon and upon payment of the charges prescribed in the Indenture a new registered 2007 Series A Bond or 2007 Series A Bonds, without coupons, and for the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture. The Agency, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

Enforcement of Bond and Indenture. The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law, including the Law and the Redevelopment Plan and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner and that the 2007 Series A Bonds, together with all other indebtedness of the Agency, comply in all respects with the applicable laws of the State of California, including the Law and the Redevelopment Plan.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, RICHMOND COMMUNITY REDEVELOPMENT AGENCY** has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chair and attested by the manual or facsimile signature of its Clerk, as of the Dated Date specified above.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

ATTEST:_____ BY:_____
CLERK CHAIR

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2007 Series A Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication

Union Bank of California, N.A.,
as Trustee

_____

BY:_____
AUTHORIZED SIGNATORY

STATEMENT OF INSURANCE

[TO COME]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within Bond of the Richmond Community Redevelopment Agency and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

_____

Notice: The Signature of this assignment and transfer must correspond with the name as written upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed by

_____

Notice: Signature must be guaranteed by a member of the National Association of Securities Dealers, a commercial bank, a trust company or other eligible guarantor institution.

**EXHIBIT B**

**AUCTION PROCEDURES**


ARTICLE I DEFINITIONS ..... B-1
ARTICLE II AUCTION PROCEDURES ..... B-7
Section 2.01. *Orders by Existing Owners and Potential Owners.* ..... B-7
Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.* ..... B-9
Section 2.03. *Treatment of Orders by the Auction Agent.* ..... B-11
Section 2.04. *Determination of Auction Period Rate.* ..... B-13
Section 2.05. *Allocation of Bonds.* ..... B-14
Section 2.06. *Notice of Auction Period Rate.* ..... B-16
Section 2.07. *Index.* ..... B-17
Section 2.08. *Miscellaneous Provisions Regarding Auctions.* ..... B-18
Section 2.09. *Changes in Auction Period or Auction Date.* ..... B-19

## AUCTION PROCEDURES

*Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.*

### ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any 2007 Series A Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) When Auctions Occur on this day | (B) Auction Period Generally Begins this day | (C) Auction Periods Generally End this day |
|---|---|---|
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next

succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

"Auction Rate" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

"Authorized Denominations" means with respect to the 2007 Series A Bonds in any ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Available Bonds" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Deadline" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"Clerical Error" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Electronic Means" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a

Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"Hold Order" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"Index" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit B.

"Securities Depository" means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Submission Deadline" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Sufficient Clearing Bids" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"Winning Bid Rate" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction

Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have

been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing

Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next

succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period,

(or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. *Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date

and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT B

Definitions

"Agency" means the Richmond Community Redevelopment Agency.

"All Hold Rate" means, as of any Auction Date, 85% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 85% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"ARB Interest Payment Date" includes the first ARB Interest Payment Date which shall be August 30, 2007, for the 2007 Series A Bonds.

"ARB Maximum Rate" means twelve percent (12%) per annum.

"Auction Agent" shall initially be Wells Fargo Bank, N.A.

"Auction Date" shall include as part of the definition the first Auction Date which shall be August 16, 2007 for the 2007 Series A Bonds.

"Auction Period" shall include in the *Six-month Auction Period* either February 28 or October 31.

"Broker-Dealer" selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

"Index" means, on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax. If such rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" means the period from the Closing Date to but not including August 16, 2007 with respect to the 2007 Series A Bonds.

Auction Procedures

*Determination of Auction Period Rate.* The percentage of the Index in Section 2.04(c) is 85% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for

federal income tax purposes and 85% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

## EXHIBIT C

## FORM OF NOTICE OF CURE OF ARB PAYMENT DEFAULT

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
SUBORDINATE TAX ALLOCATION BONDS
(MERGED PROJECT AREAS)
2007 SERIES A

NOTICE IS HEREBY GIVEN that the ARB Payment Default with respect to the 2007 Series A Bonds identified above has been waived or cured. The next ARB Interest Payment Date is _____ and the next scheduled Auction Date is _____.

Dated: _____

Union Bank of California, N.A.

By: _____

# EXHIBIT D

# FORM OF AUCTION AGENT AGREEMENT

## EXHIBIT D

## FORM OF AUCTION AGREEMENT

This AUCTION AGREEMENT, dated July 1, 2007 (this "Agreement"), between (i) UNION BANK OF CALIFORNIA, N.A., as Trustee (the "Trustee") pursuant to an Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007 (together, the "Indenture"), between the Richmond Community Redevelopment Agency (the "Agency") and the Trustee, and (ii) WELLS FARGO BANK, N.A., as auction agent (together with its successors and assigns, the "Auction Agent").

W I T N E S S E T H:

**WHEREAS**, the Agency is issuing $65,400,000 aggregate principal amount of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A (the "Bonds"), maturing on September 1, 2036, pursuant to the Indenture;

**WHEREAS**, the Bonds will initially be issued as auction rate securities;

**WHEREAS**, the Trustee is entering into this Agreement as agent for the beneficial owners of the Bonds;

**WHEREAS**, the Auction Agent will perform certain duties set forth in Exhibit A, including Schedule I thereto, attached hereto (the "Auction Procedures");

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Trustee and the Auction Agent agree as follows:

1. ***Definitions and Rules of Construction.***

1.1 Terms Defined by Reference to the Auction Procedures.

Capitalized terms not defined herein shall have the respective meanings specified in the Auction Procedures.

1.2 Additional Terms Defined Herein.

Certain terms used herein are defined in the recitals to this Agreement. In addition, as used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Agent Acceptance Fee" means an acceptance fee, if any, as set forth in a written agreement signed by the Auction Agent and the Agency.

(b) "Auction Agent Fee" means the fees, other than the Auction Agent Acceptance Fee, set forth in a written agreement between the Auction Agent and the Agency.

(b) "Auction Agent Fee" means the fees, other than the Auction Agent Acceptance Fee, set forth in a written agreement between the Auction Agent and the Agency.

(c) "Authorized Officer" means each Senior Vice President, Vice President, Assistant Vice President and authorized representative of the Auction Agent assigned to the Auction Agent Services Group of its Corporate Trust Services Department and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(d) "Authorized Trustee Representative" means each Senior Vice President, Vice President, Assistant Vice President, Senior Trust Officer, Trust Officer and Assistant Treasurer of the Trustee and every other officer or employee of the Trustee designated as an "Authorized Trustee Representative" for purposes hereof in a written communication signed by an Authorized Trustee Representative and delivered to the Auction Agent.

(e) "Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer substantially in the form attached hereto as Exhibit B.

(f) "Broker-Dealer Fee Rate" means the rate per annum at which the fees to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreements in connection with the Auctions accrue pursuant to Section 2.5 of the Broker-Dealer Agreement.

(g) "Existing Owner Registry" means the register maintained by the Auction Agent pursuant to Section 2.2(a)(i).

(h) "Participant" of any Person means the member of, or participant in, the Securities Depository that will act on behalf of an Existing Owner or Potential Owner.

1.3 Rules of Construction.

Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Agreement as a whole and not to any particular section or other subdivision.

(d) All references herein to a particular time of day shall be to New York City time.

(e) All references herein to Sections or Exhibits are to Sections of or Exhibits to this Agreement unless the context otherwise indicates.

(f) Any reference to Bonds shall be deemed to be a reference to each series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each series of Bonds.

**2. *The Auction.***

2.1 Purpose; Incorporation by Reference of Auction Procedures.

(a) The Indenture provides that the interest rate on the Bonds for each Auction Period after the Initial Period, except as provided in Section 2.04 of the Auction Procedures, shall equal the Auction Rate that an Auction Agent appointed by the Trustee determines to have resulted from implementation of the Auction Procedures. The Trustee, at the written direction of the Agency, hereby appoints Wells Fargo Bank, N.A. as Auction Agent for purposes of the Auction Procedures and to perform such other obligations and duties as are set forth herein and in each Broker-Dealer Agreement, in each case, specified to be performed by the Auction Agent, provided however, that the Trustee shall have no responsibility for the Auction Agent or the Auction Agent's performance or conduct under this Agreement. The Auction Agent hereby accepts such appointment as Auction Agent and agrees that, on each Auction Date, it shall follow the procedures set forth in the Auction Procedures for the purpose of, among other things, determining the Auction Period Rate for each Auction Period (other than the Initial Period).

(b) Subject to Section 4.1(a), all of the provisions contained in the Auction Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part hereof to the same extent as if such provisions were fully set forth herein. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto.

2.2 Preparation for Each Auction; Maintenance of Registry of Existing Owners; and Redemptions.

(a) Prior to each Auction Date in which a Broker-Dealer will participate, the Agency shall provide the Auction Agent with a manually signed Broker-Dealer Agreement executed by such Broker-Dealer, if not previously so provided. The Auction Agent shall maintain a current registry of Persons that are Existing Owners (such registry being herein called the "Existing Owner Registry"). Such Persons shall constitute the Existing Owners for purposes of each Auction. The Auction Agent may conclusively rely upon, as evidence of the identities of the Existing Owners, (i) the results of each Auction, and (ii) notices from any Existing Owner as described in the first sentence of Section 2.2(c).

(b) The Trustee shall notify the Auction Agent when any notice of redemption or defeasance on the date received is sent to the Securities Depository as Holder of the Bonds. Prior to sending the notice, the Trustee shall verify with the Auction Agent the lottery publication date to be used in the notice. In the event the Auction Agent receives written notice from the Trustee of any redemption or defeasance of any Bonds, the Trustee shall, at least three Business Days prior to the redemption date, or defeasance date, as applicable, with respect to such Bonds, request the Securities Depository to notify the Auction Agent of the identities of the

Participants (and the respective principal amounts) from the accounts of Bonds have been called for redemption or defeasance and at least one Business Day prior to the redemption date, or defeasance date, as applicable, with respect to Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such Participant of the Existing Owners whose Bonds are to be redeemed or defeased) the aggregate principal amount of such Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph (b), the Auction Agent shall forward the contents of such notice to the related Broker-Dealer by Electronic Means.

(c) The Auction Agent shall register in the Existing Owner Registry a transfer of Bonds from an Existing Owner to another Person only if (i) such transfer is pursuant to an Auction or (ii) if such transfer is made other than pursuant to an Auction, the Auction Agent has been notified in writing, which may be in Electronic Means acceptable to the Auction Agent, by the Existing Owner that is the transferor of such transfer. The Auction Agent is not required to accept any notice of transfer delivered prior to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the Auction Date on which the applicable Auction is taking place.

2.3 Public Dissemination of Auction Results.

The Auction Agent, unless instructed otherwise by the Agency, is authorized (but not required) to release the Winning Bid Rate after each Auction for public dissemination.

2.4 Notices to Existing Owners.

The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Owner as such address is delivered by such Existing Owner in connection with any notice to Existing Owner required to be given by the Auction Agent.

2.5 Broker-Dealers.

(a) If the Auction Agent is provided with a copy of a Broker-Dealer Agreement, which has been manually signed with any Broker-Dealer listed on Exhibit C hereto, then the Auction Agent shall enter into such Broker-Dealer Agreement with such Person.

(b) The Auction Agent may, at the written direction of the Agency, enter into a Broker-Dealer Agreement with any other Person who requests to be selected to act as a Broker-Dealer. The Auction Agent shall enter into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall only be required to enter into a Broker-Dealer Agreement if such Broker-Dealer Agreement is in substantially the form attached hereto as Exhibit B and has been duly executed and delivered by the proposed Broker-Dealer. The Auction Agent shall also be entitled to request and receive an incumbency certificate and specimen signatures from such Broker-Dealer and may refuse to act upon any direction from a representative of a Broker-Dealer that has not submitted an incumbency certificate and specimen signatures.

(c) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Trustee in writing, the Trustee acting at the written direction of the Agency (of which a copy shall be provided to the Auction Agent).

2.6 Access to and Maintenance of Auction Records.

The Auction Agent shall afford to the Trustee and the Agency, and their respective agents, independent public accountants and counsel, upon prior reasonable notice, access at reasonable times during normal business hours to review and make extracts or copies (in all cases at the Agency's sole cost and expense) of all books, records, documents and other information concerning the conduct and results of Auctions, provided that any such agent, accountant, or counsel shall furnish the Auction Agent with a letter from the Trustee or the Agency requesting that the Auction Agent afford such Person access. The Auction Agent shall maintain records relating to any Auction for a period of at least two years after such Auction (unless requested by the Agency to maintain such records for a longer period, or for such longer period as may be required by the Auction Agent's internal policies and procedures, or applicable law or regulation, then for such longer period), and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. The Trustee agrees to keep any information regarding the customers of any Broker-Dealer received from the Auction Agent in connection with this Agreement or any Auction confidential and shall not disclose such information or permit the disclosure of such information without the prior written consent of the applicable Broker-Dealer to anyone unless required to do so by any rule or regulation except such agent, accountant or counsel engaged to audit or review the results of Auctions, or to its internal and external auditors and counsel, its regulators and examiners and any other Person if the Trustee has been advised by its counsel that it may be liable for a failure to effect such disclosure or if ordered to do so pursuant to a subpoena, civil investigative demand or similar demand by a court of competent jurisdiction or regulatory, judicial, quasi-judicial agent or authority having the authority to mandate such disclosure. Any such agent, accountant or counsel engaged to audit or review the results of Auctions, before having access to such information, shall agree to keep such information confidential and not to disclose such information or permit disclosure of such information without the prior written consent of the applicable Broker-Dealer, except as may otherwise be required by law. The Auction Agent shall not be responsible for any actions of the Trustee, the Agency, or their respective agents, accountants or counsel for passing on confidential information as a result of access to records of the Auction Agent.

2.7 Membership in the Securities Depository.

As of the date hereof, the Auction Agent is a member of, or participant in, the Securities Depository. The Auction Agent will provide the Trustee with notice at least 90 days prior to the date, if any, on which it shall resign as a member of, or participant in, the Securities Depository.

2.8 ARS Rate Conversion.

Pursuant to the Indenture, the Agency may cause the interest rate borne by the Bonds to be converted from an Auction Period Rate to an interest rate determined other than

pursuant to the Auction Procedures. Assuming a successful conversion of the Bonds to an interest rate determined other than pursuant to the Auction Procedures, and assuming the Auction Agent has not received a notice of a failed conversion from the Agency, the Auction Agent shall no longer conduct Auctions with respect to the Bonds. If, however, in such case the Auction Agent receives a notice of a failed conversion, the Auction Agent shall follow the provisions of Section 2.04(d) of the Auction Procedures. Upon the conversion of the Bonds to bear interest at an interest rate determined other than pursuant to the Auction Procedures, this Agreement shall automatically terminate; provided, however, in any case, the provisions of Section 3.4 hereof shall survive any such termination.

2.9 Notice of Conversion.

At least five days prior to a proposed Conversion Date, the Trustee shall send a copy of any notice received pursuant to Article II of the Indenture to the Securities Depository and the Auction Agent. At the expense of the Agency, the Trustee shall make available or cause to be made available to the Securities Depository such other information as the Securities Depository may reasonably require in order to effect the exchange of Bonds bearing interest at an Auction Period Rate for Bonds bearing interest at an interest rate determined other than pursuant to the Auction Procedures.

**3. *The Auction Agent.***

3.1 Duties and Responsibilities.

(a) The Auction Agent is acting solely as a non-fiduciary agent for the Trustee hereunder and owes no duties, fiduciary or otherwise, to any other Person except as otherwise expressly provided in Section 4.5, and no implied duties, fiduciary or otherwise, shall be read into this Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement or incorporated herein by reference from the Auction Procedures or a Broker-Dealer Agreement, and no implied covenants or obligations shall be read into this Agreement or the Auction Procedures against the Auction Agent.

(c) In the absence of willful misconduct or gross negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under this Agreement. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Auction Agent shall use commercially

reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(e) The Auction Agent shall not be: (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own, on any document delivered pursuant to or as contemplated by this Auction Agreement or any Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expenses or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; and (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Auction Agreement or any Broker-Dealer Agreement.

(f) Anything in this Agreement to the contrary notwithstanding, in no event shall the Auction Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, bond certificate or other instrument, paper or document reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting upon any communication made by telephone or other Electronic Means acceptable to the parties and authorized hereby which the Auction Agent believes in good faith to have been given by the Trustee, a Broker-Dealer, the Agency or the Securities Depository. The Auction Agent may record telephone communications with the Agency, the Trustee or with the Broker-Dealers or any one or more of them.

(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for misconduct or negligence on the part of, or for the supervision of, any agent or attorney appointed by it with due care hereunder.

(e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds to the terms of the Auction Agreement, any Broker-Dealer Agreement, the

Indenture or any other document contemplated by any thereof, including, but not limited to, compliance with such laws in regards to any such transfer.

(f) Any Person into which the Auction Agent may be merged or converted or with which it may be consolidated or any Person resulting from any merger, conversion, or consolidation to which the Auction Agent shall be a party, or any Person succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

3.3 Auction Agent's Disclaimer.

Each of the Auction Agent and the Trustee makes no representation as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent or the Trustee, as the case may be, the accuracy or adequacy of this Agreement, the Broker-Dealer Agreement, the Indenture, the Bonds or the Official Statement or any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

3.4 Compensation, Expenses and Indemnification Relating to the Auction Agent.

(a) The Agency shall pay (i) the Auction Agent Acceptance Fee on the date of payment for and delivery of the Bonds, (ii) the first annual Auction Agent Fee for the Bonds on the Closing Date and annually thereafter beginning with the first anniversary of the Closing Date, and (iii) upon request of the Auction Agent, reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with this Agreement and any Broker-Dealer Agreement (including the compensation, expenses and disbursements of its agents and counsel), except any expense, disbursement or advance attributable to the gross negligence or willful misconduct of the Auction Agent. The Auction Agent Fee represents compensation for the services of the Auction Agent in conducting Auctions. The Auction Agent Fee may be adjusted from time to time with the approval of the Agency upon a written request of the Auction Agent delivered to the Agency.

(b) The Agency shall indemnify the Auction Agent, its directors, officers, agents and employees, for, and hold it and each of them harmless against any loss, liability or expense without willful misconduct or gross negligence on its part arising out of or in connection with its agency under this Agreement and the Broker-Dealer Agreements, or the transactions contemplated hereby or thereby, including the costs and expenses of defending itself, its directors, officers, agents and employees, against any claim or liability in connection with its exercise or performance of any of its duties hereunder or thereunder.

(c) This Section 3.4 shall survive the termination of this Agreement, the satisfaction and discharge of the Bonds and the earlier removal or resignation of the Auction Agent.

3.5 Compensation of the Broker-Dealers.

On each Interest Payment Date, the Auction Agent shall pay the Broker-Dealer Fee out of funds provided to it for that purpose by the Agency or the Trustee payable to each Broker-Dealer on such Interest Payment Date, as provided in Section 2.5 of the Broker-Dealer Agreements.

**4. *Miscellaneous.***

4.1 Terms of Agreement.

(a) This Agreement shall terminate on the earlier of (i) the date on which the Bonds are no longer subject to the Auction Procedures and (ii) the date on which this Agreement is terminated in accordance with this Section 4.1. The Auction Agent may terminate this Agreement upon written notice to the Trustee, the Agency, MBIA Insurance Corporation (the "Bond Insurer") and the Agency on the date specified in such notice, which date shall be no earlier than 60 days after the date of delivery of such notice. Notwithstanding the foregoing, the provisions of this Agreement (except as provided in Section 4.1(b) below) shall terminate upon the delivery of certificates representing the Bonds pursuant to Section 2.08(c) of the Auction Procedures. Notwithstanding the foregoing, the Auction Agent may terminate this Agreement upon 30 days' prior written notice to the Agency, the Bond Insurer, and the Trustee if it has not received payment of any Auction Agent Fee or Auction Agent Acceptance Fee due in accordance with Section 3.4(a) hereof for more than 30 days. The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the written direction of the (i) Agency or (ii) the Holders of a majority of the aggregate principal amount of the Bonds by an instrument signed by the Trustee and filed with the Auction Agent and the Agency upon at least 90 days notice; provided that an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Agency acting in lieu of the Trustee.

(b) Except as otherwise provided in this Section 4.1(b), the respective rights and duties of the Trustee and the Auction Agent under this Agreement shall cease upon termination of this Agreement. The obligations of the Agency to the Auction Agent under Section 3.4 shall survive the termination of this Agreement. Upon termination of this Agreement, the Broker-Dealer Agreements shall automatically terminate and the Auction Agent shall (i) promptly deliver to the Agency copies of all books and records maintained by it in connection with its duties hereunder if so requested in writing, and (ii) at the request of the Trustee promptly transfer to the Trustee or any successor Auction Agent any funds deposited by the Agency with the Auction Agent pursuant to this Agreement which have not previously been distributed by the Auction Agent in accordance with this Agreement.

4.2 Agency's Obligations.

Notwithstanding anything herein to the contrary, the Agency's payment obligations hereunder are payable as additional required payments under the Indenture.

4.3 Communications.

Except for communications authorized to be made by Electronic Means pursuant to this Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party addressed to it at its address, facsimile number or email address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

| | |
|---|---|
| If to the Trustee, addressed: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: James Myers<br>Fax: (415) 273-2492<br>Telephone: (415) 273-2519<br>Email: james.myers@uboc.com |
| If to the Auction Agent, addressed: | Wells Fargo Bank, N.A.<br>45 Broadway, 14th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services<br>Fax: (212) 509-1716<br>Telephone: (212) 515-5270<br>Email: wfauctions@wellsfargo.com |
| If to the Broker-Dealer, addressed: | RBC Capital Markets, Inc.<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Robert Williams<br>Managing Director<br>Fax: (415) 445-8679<br>Telephone: (415) 445-8674<br>Email: bob.williams@rbccm.com |
| If to the Agency, addressed: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Steven Duran<br>Executive Director<br>Fax: (510) 307-8195<br>Telephone: (510) 231-3066<br>Email: steve_duran@ci.richmond.ca.us |

If to the Bond Insurer, addressed: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: IPM – Global Public Finance Manager

or such other address, facsimile number or email address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when actually received at the address specified herein. Communications shall be given on behalf of the Trustee by an Authorized Trustee Representative and on behalf of the Auction Agent by an Authorized Officer.

4.4 Entire Agreement.

This Agreement contains the entire agreement between the parties and the Agency relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred between the parties hereto and the Agency relating to the subject matter hereof.

4.5 Benefits.

Nothing herein, express or implied, shall give to any Person, other than the Trustee, the Auction Agent and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim hereunder. The Agency and the Bond Insurer are intended third-party beneficiaries of the obligations of the Auction Agent hereunder, and such obligations create a duty in the Trustee and the Auction Agent to the Agency to perform such obligations, and the Agency shall have the right to enforce such duty.

4.6 Amendment; Waiver; Successors and Assigns.

(a) This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged; provided, however, that the prior written consent of an affected third party shall be obtained if the modification, amendment, rescission, cancellation or waiver would affect provisions expressly related to the affected third party.

(b) Failure of either party hereto to exercise any right or remedy hereunder in the event of a breach hereof by the other party or the Agency shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) The Auction Agent may, but shall have no obligation to, execute any amendment or waiver which, in its sole determination, affects its rights, powers, immunities or indemnities hereunder.

(d) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of each of the Trustee and the

Auction Agent. This Agreement may not be assigned by either party hereto absent the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except that the Trustee may assign or transfer this Agreement to a successor trustee under the Indenture without the Auction Agent's prior written consent and the Auction Agent may assign or transfer this Agreement to a successor Auction Agent pursuant to Section 3.2(f) hereof, without the Trustee's prior written consent.

4.7 Severability.

If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

4.8 Execution in Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

4.9 Governing Law; Submission to Jurisdiction; Waiver of Trial by Jury.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, (including, without limitation, Section 5-1401 of the New York General Obligations Law or any successor to such statute) without regard to conflict of laws principles. THE PARTIES TO THIS AGREEMENT AGREE THAT ALL ACTIONS AND PROCEEDINGS ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE BROUGHT IN A NEW YORK STATE COURT OR THE UNITED STATES DISTRICT COURT IN THE COUNTY AND STATE OF NEW YORK AND, IN CONNECTION WITH ANY SUCH ACTION OR PROCEEDING SUBMIT TO THE EXCLUSIVE JURISDICTION OF, AND VENUE IN, SUCH COURT. TO THE EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO ALSO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4.10 Duties and Responsibilities of the Trustee.

(a) The Trustee is acting hereunder solely as agent for the owners and beneficial owners of the Bonds in its capacity as the Trustee under the Indenture, and owes no duties, fiduciary or otherwise, to any other Person by reason of this Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Agreement, and in furtherance and not limitation thereof, the Trustee makes no representation or warranty as to the validity or adequacy of this Agreement, the Broker-Dealer Agreement or any other document related to the sale of the Bonds.

(b) The Trustee undertakes to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1 hereof, to be performed by it, and no implied covenants or obligations shall be read into this Agreement against the Trustee.

(c) The Trustee shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties except as provided in Article VIII of the Indenture. The Trustee shall have the same rights, protections, immunities and indemnities in acting hereunder, as afforded to it in the Indenture. The Trustee shall not have any obligation to pay the fees, costs or expenses of the Auction Agent or any Broker-Dealer.

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the date first above written.

UNION BANK OF CALIFORNIA, N.A., as Trustee

By:_____
Authorized Trustee Representative

WELLS FARGO BANK, N.A., as Auction Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

The Agency hereby, in accordance with Section 2.1 hereof, directs the Trustee to appoint WELLS FARGO BANK, N.A. as Auction Agent pursuant to this Agreement, and requests and directs the Auction Agent to enter into a Broker-Dealer Agreement with RBC CAPITAL MARKETS, INC., as a Broker-Dealer for the Bonds. The Agency hereby makes the representations and warranties set forth in Indenture. The Agency acknowledges and agrees to its obligations hereunder, including but not limited to such obligations under Sections 3.4 and 3.5 hereof.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By: _____
Name: Steven Duran
Title: Executive Director

# EXHIBIT A

AUCTION PROCEDURES

# EXHIBIT B

FORM OF BROKER-DEALER AGREEMENT

## EXHIBIT C

LIST OF INITIAL BROKER-DEALERS

RBC Capital Markets, Inc.

# EXHIBIT E

# FORM OF BROKER-DEALER AGREEMENT

## EXHIBIT E

## FORM OF BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated July 12, 2007, among (i) WELLS FARGO BANK, N.A. (the "Auction Agent"), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, pursuant to authority granted to the Auction Agent in the Auction Agreement, dated as of July 1, 2007 (the "Auction Agreement"), between Union Bank of California, N.A. (the "Trustee") and the Auction Agent; (ii) RBC CAPITAL MARKETS, INC. (a "BD"); and (iii) RICHMOND COMMUNITY REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (the "Agency").

WITNESSETH

WHEREAS, the Agency is issuing $65,400,000 aggregate principal amount of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A (the "Bonds"), maturing on September 1, 2036, pursuant to the Indenture of Trust, as supplemented by the First Supplemental Indenture of Trust, each dated as of July 1, 2007 (together, the "Indenture"), between the Agency and the Trustee; and

WHEREAS, the interest rate on the Bonds will initially be set in accordance with the Auction Procedures; and

WHEREAS, Wells Fargo Bank, N.A. has been appointed as Auction Agent for purposes of the Auction Agreement, and pursuant to Section 2.1 of the Auction Agreement, the Agency has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, the BD and the Agency agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION.

1.1 *Terms Defined by Reference to the Auction Procedures.* Capitalized terms used herein shall have the respective meanings specified in the Auction Procedures,

1.2 *Additional Terms Defined Herein.* As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Procedures" shall mean the procedures for conducting Auctions for the Bonds during an ARS Rate Period as set forth in Exhibit A hereto.

(b) "Authorized Officers" shall mean each Senior Vice President, Vice President, Assistant Vice President and authorized representative of the Auction Agent assigned to the Auction Agent Services Group of its Corporate Trust Services Department and every other officer or employee of the Auction Agent designated as an "Authorized Officer" for purposes hereof in a written communication from the Auction Agent signed by an Authorized Officer and delivered to the Trustee.

(c) "BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

(d) "Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement, including Exhibit A hereto, and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

(e) "Broker-Dealer Fee" shall have the meaning set forth in Section 2.5(b) hereof.

(f) "Order Form" shall mean the form by which Orders are to be submitted by any Broker-Dealer on any Auction Date which shall be in a form acceptable to the Auction Agent and may be by Electronic Means or in writing.

1.3 *Rules of Construction.* Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for convenience of reference and shall neither constitute a part of this Broker-Dealer Agreement nor affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto," and other words of similar import refer to this Broker-Dealer Agreement as a whole and not to any particular section or subsection.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

(f) Any reference herein to Bonds shall be deemed to be a reference to each Series of Bonds. References herein to an Auction and the Auction Procedures shall apply separately to each Series of Bonds.

SECTION 2. THE AUCTION.

2.1 *Incorporation by Reference of Auction Procedures.*

(a) The parties to this Broker-Dealer Agreement agree to comply with the Auction Procedures. No amendment to the Auction Procedures shall be effective without the consent of the parties hereto. In addition if this Broker-Dealer Agreement takes effect following an ARS Conversion Date, BD agrees to set the Initial Rate at the lowest rate which will enable the Bonds to be resold on the ARS Conversion Date at par plus accrued interest, if any.

(b) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Auction Procedures may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions.

(c) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Agency may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Agency it may not submit Bids to purchase Bonds in Auctions for its own account, but may submit Hold Orders and Sell Orders in Auctions with respect to Bonds otherwise acquired for its own account. The Auction Agent shall be under no duty or liability with respect to monitoring compliance with this Section 2.1(c).

2.2 *Preparation for Each Auction.*

(a) Not later than 3:00 P.M. on the Business Day preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of the Bonds, as of the opening of business on such day by delivering a notice to BD by Electronic Means or other communication acceptable to the parties.

(b) In the event the Auction Date for any Auction shall be changed pursuant to Section 2.09(c) of the Auction Procedures after the Auction Agent has given notice of such Auction Date pursuant to Section 2.06 of the Auction Procedures, the Auction Agent, by such means as the Auction Agent deems practicable, shall promptly give notice of such change to BD. Thereafter, BD shall use its best efforts to promptly notify its customers who are Existing Owners and Potential Owners of which it is aware of such change in the Auction Date.

2.3 *Securities Depository Participant Numbers.*

The Auction Agent may, but shall have no duty to, request, from time to time, BD to provide it with a list of the number of Units and affiliated Securities Depository participant numbers for customers BD believes are Existing Owners. BD shall comply with any such request, and the Auction Agent shall keep confidential any such information, including information received as to the identity of Bidders in any Auction, and shall not disclose any such information so provided to any person other than the Trustee and the Agency, provided that the Auction Agent reserves the right, and is authorized, to disclose any such information if (i) it is

ordered to do so by a court or regulatory, judicial or quasi-judicial agency or authority, (ii) it is advised by its counsel that its failure to do so would be unlawful or (iii) failure to do so would impose upon it any actual or potential loss, claim, damage, liability, or expense for which it has not received indemnity satisfactory to it.

2.4 *Transfers.*

BD shall deliver to the Auction Agent a notice, in a form reasonably acceptable to the Auction Agent, of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction. The Auction Agent is not required to accept any notice delivered pursuant to the terms of the foregoing sentence with respect to an Auction unless it is received by the Auction Agent by 11:00 a.m. on the applicable Auction Date.

Notwithstanding the provisions of Section 2.6(a) hereof, any delivery or non-delivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of this Section 2.4.

2.5 *Compensation.*

(a) The initial Broker-Dealer Fee rate shall equal .25 of 1% per annum. The Broker-Dealer Fee for the Bonds shall be paid by the Auction Agent solely from moneys received from the Agency or the Trustee pursuant to this Section 2.5 or Section 3.5 of the Auction Agreement and represents compensation for the services of the BD in facilitating Auctions for the benefit of the beneficial owners of the Bonds. The Broker-Dealer Fee rate may be adjusted from time to time with the approval of the Agency upon a written request of the Broker-Dealers delivered to the Agency.

(b) While the Bonds are in an Auction Period other than a daily Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount equal to the product of (x) .25 of 1% multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is more than 180 days, the number of days in the Auction Period next succeeding such Auction Date calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360.

If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) .25 of 1% multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360.

The Broker-Dealer Fee (the "Broker-Dealer Fee") shall be calculated as set forth in this Section 2.5 by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Agency and the Trustee by 4:00 P.M., New York City time, on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Agency shall pay to the Trustee the Broker-Dealer Fee. By noon on each Interest Payment Date, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer and, immediately upon receipt of such fee, the Auction Agent shall deliver such fee to the Broker-Dealer pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

2.6 *Settlement.*

(a) If any Existing Owner on whose behalf BD has submitted a Bid or Sell Order that was accepted in whole or in part fails to instruct its Participant to deliver the Bonds subject to such Bid or Sell Order against payment therefor, BD shall instruct such Participant to deliver such Bonds against payment therefor and BD may deliver to the Potential Owner on whose behalf BD submitted a Bid that was accepted in whole or in part a principal amount of the Bonds that is less than the principal amount of the Bonds specified in such Bid to be purchased by such Potential Owner.

(b) The Auction Agent, the Trustee, and the Agency shall have no responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Participant to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

(c) The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6.

SECTION 3. THE AUCTION AGENT.

3.1 *Duties and Responsibilities of the Auction Agent.*

(a) The Auction Agent is acting solely as non-fiduciary agent for the Trustee and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement except as expressly set forth herein or in the Auction Agreement, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement against the Auction Agent.

(b) The Auction Agent undertakes to perform such duties and only such duties as are specifically set forth in the Broker-Dealer Agreement or expressly incorporated herein by reference pursuant to Section 2.1(a) hereof and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent.

(c) In the absence of willful misconduct or gross negligence on its part, as determined by a court of competent jurisdiction, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d) hereof, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment, as determined by a court of competent jurisdiction.

(d) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation: acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; acts of terrorism; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; or acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(e) The Auction Agent shall not be (i) required to and does not make any representations nor have any responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, except with respect to itself, on any document delivered pursuant to or as contemplated by this Broker-Dealer Agreement; (ii) obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with indemnity satisfactory to the Auction Agent; or (iii) responsible for or liable in any respect on account of the identity, authority or rights of any Person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement or the Auction Agreement except with respect to its own individuals executing or delivering this Broker-Dealer Agreement or the Auction Agreement.

3.2 *Rights of the Auction Agent.*

(a) The Auction Agent may conclusively rely on and shall be fully protected in acting or refraining from acting upon any communication authorized hereby and upon any written instruction, notice, request, direction, consent, report, certificate, form or bond certificate or other instrument, paper, document or communication reasonably believed by it to be genuine. The Auction Agent shall not be liable for acting, or refraining from action, upon any communication made by telephone, Electronic Means or other means acceptable to the parties and authorized hereby which the Auction Agent believes in good faith (or has no reason not to believe) to have been given by the particular party or parties. The Auction Agent may record telephone communications with the Trustee, the Agency or BD.

(b) The Auction Agent may consult with counsel of its choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties or exercise of its rights hereunder.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation to monitor, or liability in respect of, the registration or exemption therefrom of the Bonds (or any beneficial ownership interest therein) under any federal or state securities laws or in respect of any transfer of the Bonds (or any beneficial ownership interest therein) pursuant to the terms of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, any other document contemplated by any thereof, or otherwise, including, but not limited to, compliance with any such laws in regards to any such registration, exemption or transfer.

(f) (i) Any corporation or other entity into which the Auction Agent may be merged or converted or with which it may be consolidated, (ii) any corporation or other entity resulting from any merger, conversion or consolidation to which the Auction Agent may be a party or (iii) any corporation or other entity succeeding to all or substantially all of the auction agent business of the Auction Agent shall be the successor of the Auction Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where any instrument of transfer or assignment is required by law to effect such succession, anything hereunder to the contrary notwithstanding.

3.3 *Auction Agent's Disclaimer.*

The Auction Agent makes no representations as to, and shall have no liability with respect to, the correctness of the recitals in, or the validity with respect to parties other than the Auction Agent, the accuracy or adequacy of this Broker-Dealer Agreement, the Auction Agreement, the Indenture, the Bonds or the Official Statement, as hereinafter defined, or

any other offering material used in connection with the offer and sale of the Bonds or any other agreement or instrument executed in connection with the transactions contemplated herein or in any thereof.

SECTION 4. FURNISHING OF INFORMATION AND OFFERING MATERIALS; INDEMNIFICATION.

4.1 *Furnishing of Information.*

The Agency agrees to furnish, or cause to be furnished, BD with as many copies as BD may reasonably request, of the official statement relating to the Bonds (the "Official Statement") as the same may be supplemented or amended from time to time, and such other information with respect to the Agency and its properties, the Indenture, and the Bonds as BD shall reasonably request from time to time.

4.2 *Supplements and Amendments to Official Statement.*

If at any time during the term of this Broker-Dealer Agreement any event or condition known to the Agency relating to or affecting the Agency or its properties, the Bonds, the Indenture, or the documents or transactions contemplated thereby, shall occur which, in the reasonable judgment of the Agency or the Broker-Dealer, might affect the accuracy, correctness or completeness of any statement of a material fact contained in the Official Statement, as it shall have been supplemented or amended from time to time pursuant to this Section or included in any report or notice filed by the Agency (each, a "Disclosure Statement") pursuant to the undertaking entered into by the Agency pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Continuing Disclosure Undertaking") which in the reasonable judgment of the Agency or BD might result in the Official Statement, as so supplemented or amended, containing any untrue, incorrect or misleading statement of material fact or omitting to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading, then:

(a) the Agency (as to events or conditions relating to itself and otherwise of which it becomes aware) shall promptly notify BD of the circumstances and details of such event;

(b) if, in the opinion of BD, such event or condition requires the preparation and publication of an amendment or supplement to the Official Statement, the Agency at its expense shall promptly prepare or cause to be prepared an appropriate amendment or supplement thereto, in a form and manner approved by BD, so that the statements in the Official Statement, as so amended or supplemented, will not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and

(c) the Agency shall take all necessary action to approve such supplement or amendment.

4.3 *Additional Information.*

Without limiting the foregoing, the Agency shall notify BD of:

(a) proposed adverse determination letter from the Internal Revenue Service with respect to the federal income tax treatment of the Bonds, of which the Agency shall have knowledge;

(b) any replacement of the Trustee under the Indenture;

(c) Any Event of Default under the Indenture provided such Event of Default relates to the Agency, or any other default which, with notice or lapse of time or both, would constitute such an Event of Default;

(d) the publication of notice of redemption or purchase of the Bonds, together with a copy of such notice (which notice shall be provided to BD no later than the date of publication of such notice); and

(e) the occurrence of any of the following events with respect to the Bonds; (i) principal and interest payment delinquencies; (ii) non payment related defaults; (iii) unscheduled draws on debt service reserves; (iv) unscheduled draws on credit enhancements; (v) substitution of credit provider or liquidity provider, or their failure to perform; (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the securities; (xi) rating changes (including any announcement that any of the Bonds or the Agency has been put on credit watch); and (xii) failure of the Agency to provide "annual financial information" in accordance with Rule 15c2-12(b)(5)(i)(D) under the Securities Exchange Act.

4.4 *Indemnification and Contribution;*

(a) To the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Agency agrees to indemnify and hold harmless BD and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "1933 Act")) BD against any and all losses, claims, damages, expenses, and liabilities whatsoever arising out of any violation of this Broker-Dealer Agreement by the Agency, including any untrue statement or alleged untrue statement in the Official Statement and the Disclosure Statement of a material fact or any omission or alleged omission of any material fact necessary to make the statements therein, at the time and in light of the circumstances under which they were made, not misleading, including, without limiting the generality of the foregoing, the aggregate amount paid in settlement of any litigation commenced or threatened or of any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, including without limitation the reasonable costs and expenses (including fees and expenses of counsel) of investigating, preparing for or defending itself, if such settlement is effected with the written consent of the Agency. In each case the indemnification for any such settlement or expense shall be made promptly by the Agency as the costs of such settlement or expenses are incurred by BD. In case any claim should be made or

action brought against any of BD or any controlling person (as aforesaid) based upon a violation of this Broker-Dealer Agreement by the Agency, in respect of which indemnity may be sought against the Agency, BD or such controlling person shall, as a condition to its right to indemnification hereunder, promptly notify the Agency in writing setting forth the particulars of such claim or action and the Agency shall assume the defense thereof, including the retaining of counsel and the payment of all expenses. BD or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at BD's expense or the expense of such controlling person unless the retaining of such counsel has been specifically authorized in writing by the Agency or counsel retained by the Agency has advised BD that the representation of the two parties would constitute a conflict.

(b) If for any reason indemnification is unavailable to BD or insufficient to hold BD harmless in connection with this Broker-Dealer Agreement, then the Agency shall contribute to the amount paid or payable by BD as a result of any loss, claim, damage or liability or action in respect thereof (including such legal or other expenses) in such proportion as is appropriate to reflect the relative benefits received by the Agency on the one hand and BD on the other hand from the sale of the Bonds (as described in the next sentence) or, if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Agency on the one hand and BD on the other as well as any other relevant equitable considerations. For this purpose the relative benefits received by Agency on the one hand and BD on the other shall be deemed to be in the same proportion as the principal amount of the Bonds sold bears to one year's compensation, at the rate applicable at the time of such loss, claim, damage or liability or action, received by BD pursuant to Section 2.5 above. The Agency agrees with BD that it would not be just and equitable if contribution pursuant to this provision were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. The reimbursement, indemnity and contribution obligations of the Agency under this subsection shall be in addition to any liability which the Agency may otherwise have, shall extend upon the same terms and conditions to the officers, members, partners, employees an controlling persons (if any) of BD and shall be binding upon and inure to the benefit of any successors and assigns of the Agency and BD.

SECTION 5. MISCELLANEOUS.

5.1 *Termination.* BD may resign at any time, upon five Business Days' notice to the Auction Agent, with a copy of such notice to MBIA Insurance Corporation (the "Bond Insurer"); provided, however, that BD may resign immediately if it determines, in its reasonable judgment, that for any reason, including, without limitation, (a) a pending or proposed change in applicable tax laws, (b) a material adverse change in the financial condition of the Agency, (c) hostilities involving the United States, (d) a down-rating of the Bonds, or (e) an imposition of material restrictions on the Bonds or similar obligations, it is not advisable to attempt to Auction the Bonds. The Auction Agent upon the written direction of the Agency may terminate this Broker-Dealer Agreement at any time on five Business Days' notice to the other parties hereto; and provided that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement.

5.2 *Participant.* BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in Securities Depository; and will give the Auction Agent, each other Broker-Dealer, the Agency and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Securities Depository.

5.3 *Communications.* Except for communications authorized to be made by Electronic Means or other communication acceptable to the parties pursuant to this Broker-Dealer Agreement or the Auction Procedures all notices, requests and other communications to any party hereunder shall be in writing (which may be by facsimile) and shall be given to such party, addressed to it, at its address, facsimile number or e-mail address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

| | |
|---|---|
| If to the Broker-Dealer, addressed: | RBC Capital Markets, Inc.<br>345 California Street, Suite 2800<br>San Francisco, California 94104<br>Attention: Robert Williams<br>Managing Director<br>Fax: (415) 445-8679<br>Telephone: (415) 445-8674<br>Email: bob.williams@rbccm.com |
| If to the Auction Agent, addressed: | Wells Fargo Bank, N.A.<br>45 Broadway, 14th Floor<br>New York, New York 10006<br>Attention: Auction Agent Services<br>Fax: (212) 509-1716<br>Telephone: (212) 515-5270<br>Email: wfauctions@wellsfargo.com |
| If to the Agency, addressed: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Steven Duran<br>Executive Director<br>Fax: (510) 307-8195<br>Telephone: (510) 231-3066<br>Email: steve_duran@ci.richmond.ca.us |
| If to the Bond Insurer, addressed: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: IPM – Global Public Finance Manager |

or such other address, telephone, facsimile number or e-mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

5.4 *Recording of Conversations.* BD may record telephone communications with the Agency, the Trustee, or the Auction Agent, or all of them.

5.5 *Entire Agreement.* This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the issuance of the Bonds, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof

5.6 *Benefits; Successors and Assigns.* This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of BD, the Auction Agent and the Agency. Except as provided in Section 3.2(f) hereof, this Broker-Dealer Agreement may not be assigned by any party hereto absent the prior written consent of the other parties; provided, however, that: (a) the Broker-Dealer Agreement may be assigned by the Auction Agent to a successor Auction Agent selected by the Agency without the consent of BD and BD may assign its rights and obligations hereunder to an affiliate of BD or to an entity succeeding to the business of BD. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any person, other than the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Agency herein.

5.7 *Amendment; Waiver.*

(a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

(c) Notwithstanding anything herein to the contrary, the Auction Agent may, but shall have no obligation to execute any amendment or waiver which affects its rights, powers, immunities or indemnities hereunder.

5.8 *Severability.* If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.9 *Execution in Counterparts.* This Broker-Dealer Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

5.10 *Governing Law; Jurisdiction; Waiver of Trial by Jury.*

(a) This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State, without giving effect to principles of choice of law or conflicts of law thereof.

(b) The parties agree that all actions and proceedings arising out of this Broker-Dealer Agreement or any of the transactions contemplated hereby shall be brought in the County of New York and, in connection with any such action or proceeding, submit to the jurisdiction of, and venue in, such County.

(c) Each party to this Broker-Dealer Agreement hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Broker-Dealer Agreement in any court referred to in Section 5.10(b) hereof. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Broker-Dealer Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.3 hereof. Nothing in this Broker-Dealer Agreement will affect the right of any party to this Broker-Dealer Agreement to serve process in any other manner permitted by law.

(e) EACH PARTY TO THIS BROKER-DEALER AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THIS BROKER-DEALER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE). EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS BROKER-DEALER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

5.11 *No Implied Duties.*

Nothing contained in this Broker-Dealer Agreement, the Auction Procedures or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Agency not otherwise expressly set forth herein or therein.

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

WELLS FARGO BANK, N.A.,
as Auction Agent

By: _____
Name: _____
Title: _____

RBC DAIN RAUSCHER, INC., doing business under the trade name RBC CAPITAL MARKETS,
as Broker-Dealer

By: _____
Name: Robert Williams
Title: Managing Director

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By _____
Name: Steven Duran
Title: Executive Director

## EXHIBIT F

## FORM OF REQUISITION FOR MONEY FROM THE 2007 SERIES A PROJECT FUND

To: Union Bank of California, N.A., as Trustee

Re: Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A

The undersigned, on behalf of Richmond Community Redevelopment Agency (the "Agency"), hereby requests payment, from the 2007 Series A Project Fund established pursuant to that certain First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and Union Bank of California, N.A., as trustee (the "First Supplemental Indenture"), of the total amount shown [below] [on the attachment hereto] to the order of the payee or payees named [below] [on the attachment]. [The payee(s), the purpose and the amount of the disbursement requested are as follows:

| Payee | Purpose | Amount |
|---|---|---|
| [Name and Address] | | |
| Total | | $_____] |

All capitalized terms used herein shall have the meanings given such terms pursuant to the First Supplemental Indenture. The undersigned hereby certifies as follows:

1. Each of the items for which payment is requested is a cost of the Project, is a proper charge against the 2007 Series A Project Fund, and is or was necessary in connection with the Project.

2. None of the items for which payment is requested has been reimbursed previously from the 2007 Series A Project Fund.

3. All of the amounts requisitioned hereby will be used in a manner consistent with the 2007 Series A Tax Certificate.

Dated: _____

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Authorized Agency Representative

mbia

# DEBT SERVICE RESERVE SURETY BOND

## MBIA Insurance Corporation Armonk, New York 10504

Surety Bond No. 498772

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of Richmond Community Redevelopment Agency (the "Issuer") under the Indenture of Trust, dated as of July 1, 2007, as supplemented by a First Supplemental Indenture of Trust , dated as of July 1, 2007 (the "Document") to Union Bank of California, N.A., San Francisco, California (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of $65,400,000 Richmond Community Redevelopment Agency, Subordinate Tax Allocation Bonds, Series 2007A (the "Obligations"), provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed $4,603,096.78 or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

SPECIMEN

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Issuer (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

mbia

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) September 1, 2036 (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. This Surety Bond shall be governed by and interpreted under the laws of the State of California. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

10. In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this 12th day of July, 2007.

SPECIMEN

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SB-DSRF-9-CA
4/95



Attachment 1
Surety Bond No. 498782

DEMAND FOR PAYMENT

_____, 20__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. 498782 (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

SPECIMEN

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _____ (the "Due Date") in an amount equal to $_____ (the "Amount Due").

(d) The debt service reserve fund requirement for the Obligations is $_____.

(e) The amounts legally available to the Paying Agent on the Due Date will be $_____ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: _____
[Paying Agent's Account]

[PAYING AGENT]

By _____

Its _____



Attachment 2
Surety Bond No. 498782

NOTICE OF REINSTATEMENT

_____, 20__

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. 498782 (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $ .

SPECIMEN

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

# FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of July 12, 2007 by and between Richmond Community Redevelopment Agency (the "Issuer") and MBIA Insurance Corporation (the "Insurer"), organized under the laws of the state of New York.

## WITNESSETH:

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

## ARTICLE I
## DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

## ARTICLE II
## REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

## ARTICLE V
## SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

## ARTICLE VI
## MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

| | |
|---|---|
| If to the Issuer: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director |
| If to the Paying Agent: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: James Myers |
| If to the Insurer: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: Insured Portfolio Management |

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Armonk, New York 10504
Attention: Insured Portfolio Management

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**Richmond Community Redevelopment Agency**

By: _____
Steven Duran
Title: Executive Director

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**Richmond Community Redevelopment Agency**

By: _____

Title: _____

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

**ANNEX A**

SURETY BOND

## ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means July 12, 2007.

"Commitment" means the Commitment to issue a Debt Service Reserve Surety Bond in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means the Indenture of Trust, dated as of July 1, 2007, between Richmond Community Redevelopment Agency and Union Bank of California, N.A., as trustee, as supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007.

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means Richmond Community Redevelopment Agency.

"Obligations" means the $65,400,000 Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

"Paying Agent" means Union Bank of California, N.A.

"Premium" means $83,000.00 payable to the Insurer on or prior to the Closing Date.

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of twelve months following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means State of California.

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means $4,603,096.78.

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

**ANNEX C**

COMMITMENT

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation
## Armonk, New York 10504

Policy No. 498781

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to Union Bank of California, N.A., San Francisco, California or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$9,772,621.50 (Original Principal Value) $24,460,000 (Maturity Value)
Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable)
Series 2007B

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

SPECIMEN

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this 12th day of July, 2007.

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-R-CA-7
1/05

mbia
WISDOM IN ACTION™

**REVISED AS OF JULY 5, 2007**
**COMMITMENT TO ISSUE A**
**FINANCIAL GUARANTY INSURANCE POLICY**

Application No.: 2007-003549-002
Sale Date: June 28, 2007
Program Type: Negotiated DP

Re: $9,772,621.50 (Original Principal Value) $24,460,000 (Maturity Value) Richmond Community Redevelopment Agency, Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable) Series 2007B
(the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated July 5, 2007, constitutes an agreement between RICHMOND COMMUNITY REDEVELOPMENT AGENCY (the "Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated June 5, 2007, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, of a nonrefundable premium in the amount of $109,000 [.445% (premium rate) of $24,460,000 (total debt service), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the validity of the Obligations and other matters customarily provided by the Bond Counsel.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.




6. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.

7. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. The Insurer's "Payments Under the Policy/Other Required Provisions" (see attached) shall be included in the authorizing document.

10. The Applicant agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; provided however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the current Obligations to be issued in accordance with the terms of the Commitment; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

11. This Commitment may be signed in counterpart by the parties hereto.

12. Compliance with the Insurer's General Document Provisions (see attached).

13. Compliance with the Insurer's List of Permissible Investments for Indentured Funds (see attached).

14. Receipt, review and approval of all legal documents prior to the sale of the Obligations.

mbia
WISDOM IN ACTION

Dated this 5th day of July, 2007.

**MBIA Insurance Corporation**

By _____
Assistant Secretary

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____

Title: Executive Director

mbia

# DEBT SERVICE RESERVE SURETY BOND

## MBIA Insurance Corporation
## Armonk, New York 10504

Surety Bond No. 498782

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of Richmond Community Redevelopment Agency (the "Issuer") under the Indenture of Trust, dated as of July 1, 2007, as supplemented by a First Supplemental Indenture of Trust , dated as of July 1, 2007 (the "Document") to Union Bank of California, N.A., San Francisco, California (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of $9,772,621.50 (Original Principal Value) $24,360,000 (Maturity Value) Richmond Community Redevelopment Agency, Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), Series 2007B (the "Obligations"), provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed $977,262.15 or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

SPECIMEN

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Issuer (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

mbia

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) September 1, 2036 (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. This Surety Bond shall be governed by and interpreted under the laws of the State of California. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

10. In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this 12th day of July, 2007.

SPECIMEN

**MBIA Insurance Corporation**

President

Attest:

Assistant Secretary

SB-DSRF-9-CA
4/95

mbia

Attachment 1
Surety Bond No. 498772

DEMAND FOR PAYMENT

_____, 20__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. 498772 (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

SPECIMEN

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _____ (the "Due Date") in an amount equal to $_____ (the "Amount Due").

(b) The debt service reserve fund requirement for the Obligations is $_____.

(c) The amounts legally available to the Paying Agent on the Due Date will be $_____ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: _____
[Paying Agent's Account]

[PAYING AGENT]

By _____

Its _____

mbia

Attachment 2
Surety Bond No. 498772

NOTICE OF REINSTATEMENT

_____, 20__

[Paying Agent]

[Address]

SPECIMEN

Reference is made to the Surety Bond No. 498772 (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $ .

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

# FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of July 12, 2007 by and between Richmond Community Redevelopment Agency (the "Issuer") and MBIA Insurance Corporation (the "Insurer"), organized under the laws of the state of New York.

## WITNESSETH:

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

## ARTICLE I
## DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

## ARTICLE II
## REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or

(c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

(a) Quarterly Reports. The Issuer will provide to the Insurer within 45 days of the close of each quarter interim financial statements covering all fund balances under the Document, a statement of operations (income statement), balance sheet and changes in fund balances. These statements need not be audited by an independent certified public accountant, but if any audited statements are produced, they must be provided to the Insurer;

(b) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 90 days of the end of each fiscal year;

(c) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and

(d) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Revenue Agreement, the Document or any other document executed in connection with the issuance of the Obligations.

## ARTICLE III
## AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

## ARTICLE IV
## EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

## ARTICLE V
## SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

## ARTICLE VI
## MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

| | |
|---|---|
| If to the Issuer: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director |
| If to the Paying Agent: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: James Myers |
| If to the Insurer: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: Insured Portfolio Management |

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**Richmond Community Redevelopment Agency**

By: _____

Title: Steven Duran
Executive Director

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

**Richmond Community Redevelopment Agency**

By: _____

Title: _____

**MBIA Insurance Corporation**

_____
President

Attest: _____
Assistant Secretary

**ANNEX A**

SURETY BOND

## ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means July 12, 2007.

"Commitment" means the Commitment to issue a Debt Service Reserve Surety Bond in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means the Indenture of Trust, dated as of July 1, 2007, between Richmond Community Redevelopment Agency and Union Bank of California, N.A., as trustee, as supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007..

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means Richmond Community Redevelopment Agency.

"Obligations" means the $9,772,621.50 Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

"Paying Agent" means Union Bank of California, N.A.

"Premium" means $18,000.00 payable to the Insurer on or prior to the Closing Date.

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of twelve months following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means State of California.

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means $977,262.15.

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

**ANNEX C**

COMMITMENT

mbia
WISDOM IN ACTION℠

# CERTIFICATE OF
# MBIA INSURANCE CORPORATION

I, Stephanie Taylor Ciavarello of MBIA Insurance Corporation, do hereby certify that the information concerning MBIA Insurance Corporation and the policy under the caption "DESCRIPTION OF THE INSURER" and Appendix G as set forth in the Official Statement dated June 28, 2007 regarding the:

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Richmond, California)

| | |
|---|---|
| $65,400,000 | $9,772,621.50 |
| Subordinate Tax Allocation Bonds | Housing Set-Aside |
| (Merged Project Areas) | Subordinate Tax Allocation Bonds |
| 2007 Series A | (Merged Project Areas) |
| | (Taxable) 2007 Series B |

is accurate.

IN WITNESS WHEREOF, I hereunto set my hand and deliver this Certificate on this 12th day of July, 2007.

MBIA INSURANCE CORPORATION

By _____
Authorized Officer

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no 40189151

July 11, 2007

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: ***$65,400,000 Richmond Community Redevelopment Agency, California, Subordinate Tax Allocation Bonds, Series 2007A, dated: Date of Delivery, due: September 1, 2036, (POLICY #498771)***

Dear Mr. Carta:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.



kb

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no 40189152

July 11, 2007

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attention: Mr. Adam Carta, Assistant Vice President

Re: ***$9,772,621.50 (Original Principal Value) $24,460,000 (Maturity Value) Richmond Community Redevelopment Agency, California, Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), Series 2007B, dated: Date of Delivery, due: September 1, 2008-2013, September 1, 2017-2036, (POLICY #498781)***

Dear Mr. Carta:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A-". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.



kb

# FitchRatings

1201 East 7th Street
Powell, WY 82435

T 307 754 2012 / 800 85 FITCH
www.fitchratings.com

July 11, 2007

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504

Re: Richmond Community Redevelopment Agency (CA) / Policy # 498771

Dear Ms. Wilson:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Dey Lynn Stebner
Insured Ratings Manager
U.S. Public Finance

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 84167)

# Notice of Rating Action

| Bond Description | Rating Type | Action | Rating | Outlook/ Watch | Eff Date | Notes |
|---|---|---|---|---|---|---|
| Richmond Community Redevelopment Agency (CA) sub tax allocation bonds ser 2007A (insured: MBIA Insurance Corp.) | Long Term | New Rating | AAA | RO:Sta | 11-Jul-2007 | 1 |

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

**Notes**

1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by MBIA Insurance Corp., which has an Insurer Financial Strength rating of 'AAA'

# FitchRatings

1201 East 7th Street
Powell, WY 82435

T 307 754 2012 / 800 55 FITCH
www.fitchratings.com

July 11, 2007

Ms. Lisa Wilson
MBIA Insurance Corp.
113 King Street
Armonk, NY 10504

Re: Richmond Community Redevelopment Agency (CA) / Policy # 498781

Dear Ms. Wilson:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Dey Lynn Stebner
Insured Ratings Manager
U.S. Public Finance

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 84166)

# Notice of Rating Action

| Bond Description | Rating Type | Action | Rating | Outlook/ Watch | Eff Date | Notes |
|---|---|---|---|---|---|---|
| Richmond Community Redevelopment Agency (CA) hsg set-aside sub tax allocation bonds ser 2007B (insured: MBIA Insurance Corp ) | Long Term | New Rating | AAA | RO:Sta | 11-Jul-2007 | 1 |

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta' Stable, Evo: Evolving

**Notes**

1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by MBIA Insurance Corp., which has an Insurer Financial Strength rating of 'AAA'.

goldfarb
lipman
attorneys

1300 Clay Street, Ninth Floor
Oakland, California 94612
510 836-6336

M David Kroot
Lee C. Rosenthal
John T. Nagle
Polly V. Marshall
Lynn Hutchins
Karen M. Tiedemann
Thomas H. Webber
John T. Haygood
Dianne Jackson McLean
Michelle D. Brewer
Jennifer K. Bell
Robert C. Mills
Isabel L. Brown
James T. Diamond, Jr.
William F. DiCamillo
Margaret F. Jung
Heather J. Gould
Juliet E. Cox
Erica Kyle Williams
Amy DeVaudreuil
Barbara E. Kautz
Luis A. Rodriguez

July 12, 2007

Richmond Joint Powers Financing Authority
1401 Marina Way South
Richmond, CA 94804

MBIA Insurance Corporation
113 King Street
New York, NY 10504

Dain Rauscher, Inc.
RBC Capital Markets
345 California Street, Suite 2800
San Francisco, CA 94104

Royal Bank of Canada
10th Floor, So. Tower Royal, Bank Plaza
200 Bay Street,
Toronto, Ontario M5J 2J5, Canada

Re: Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Area) 2007 Series A and Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B Bonds

Dear Ladies and Gentlemen:

We have acted as special counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance by the Agency of its (i) Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), pursuant to an Indenture of Trust (the "Master Non-Housing Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture" and together with the Master Indenture, the "Non-Housing Indenture"), each dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), and (ii) Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Area ) (Taxable), 2007 Series B (the "Series 2007B Bonds," and together with the Series 2007A Bonds, the "Bonds"), pursuant to an Indenture of Trust (the "Master Housing Indenture," as supplemented by the First Supplemental Housing Indenture of Trust (the "First Supplemental Housing Indenture" and, together with the Master Housing Indenture, the "Housing Indenture"), each dated as of July 1, 2007, by and between the Agency and the Trustee. The Bonds have each been issued pursuant to Resolution No. 07-9, adopted by the Agency on June 5, 2007 (the "Resolution").

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following (collectively, the "Reviewed Documents"):

Facsimile
510 836-1035
San Francisco
415 788-6336
Los Angeles
213 627-6336
San Diego
619 239-6336
Goldfarb & Lipman LLP

1. the Resolution;

2. the Bonds;

3. the Non-Housing and Housing Indentures;

4. the Bond Purchase Agreement, dated as of July 11, 2007, relating to the Series 2007A Bonds and the Bond Purchase Agreement, dated as of June 28, 2007, relating to the Series 2007B Bonds (together, the "Bond Purchase Agreements"), each of which is by and among the Agency, the Richmond Joint Powers Financing Authority, and RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as underwriter (the "Underwriter");

5. the Continuing Disclosure Agreement, dated as of July 1, 2007, by and among the Agency, the Trustee and MuniFinancial, as dissemination agent;

6. ISDA Master Agreement, dated as of June 26, 2007, by and between Royal Bank of Canada, as counterparty, and the Agency, together with (1) Schedule to the Master Agreement, dated June 26, 2007 and (2) 2007 Interest Rate Swap Confirmation, dated June 26, 2007;

7. Financial Guaranty Agreements, each dated July 12, 2007, between the Agency and MBIA Insurance Corporation (the "Insurer");

8. Insurance and Reimbursement Agreement, dated July 1, 2007, between the Agency and the Insurer; and

9. the Tax Certificate of the Agency, dated July 12, 2007, relating to the Series 2007A Bonds (the "Tax Certificate").

We have not attempted to independently verify the correctness or validity of documents prepared and procedures recommended by Bond Counsel or disclosure counsel in connection with this transaction. In addition, we have relied upon certificates of officials of the Agency and upon written opinions and letters received from the Agency and Bond Counsel. We have assumed, without investigation, the accuracy of the representations, warranties and covenants as to factual matters made by various parties and by public officials. Further, we have assumed, without investigation, the correctness of all certificates, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as certified or photo static copies, and the authenticity of the originals of such copies, and the accuracy and completeness of all records made available to us. Capitalized terms used in this opinion and not otherwise defined herein shall have the meaning set forth in the Bond Purchase Agreements. In the course of our examinations, we have, with your permission, assumed (i) that all signatures are genuine; (ii) that the Reviewed Documents have each been duly executed and delivered pursuant to due authorization by all parties, other than the Agency, to each such agreement; and (iii) that such documents are enforceable against such other parties in accordance with their respective terms.

With respect to matters stated below to be "to the best of our knowledge," such knowledge is limited to (a) information obtained by us from discussions we have had with Agency representatives in connection with our representation of the Agency; (b) representations and statements made by the Agency in the Bond Purchase Agreements, the Resolution, the Housing Indenture, the Non-Housing Indenture, the Tax Certificate; and (c) our review of the Reviewed Documents. We call your attention to the fact that we have not made any independent review or investigation of any agreements, instruments, orders, judgments, rules or other regulations or decrees by which the Agency may be bound, nor have we made any independent review or investigation as to actions of any governmental bodies, appeals of or conditions to those actions, or authority to take such actions in connection with the Agency; provided that nothing has come to our attention that the information we have obtained from the Agency is inaccurate.

Based upon the foregoing, we are of the opinion that:

1. The Agency is duly organized and validly existing as a redevelopment agency under the Constitution and laws of the State of California.

2. The Resolution approving and authorizing the execution and delivery of the Reviewed Documents and approving the Official Statement, dated June 28, 2007, relating to the Bonds (the "Official Statement"), was duly adopted at a meeting of the Agency which was called and held pursuant to law at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed;

3. Except as disclosed in the Official Statement and to the best of our knowledge, no material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the Bonds, the corporate existence of the Agency, or the title of the officers of the Agency who will execute the Bonds as to their respective offices;

4. The execution and delivery of the Reviewed Documents and the Official Statement, the adoption of the Resolution, the issuance of the Bonds and compliance by the Agency with the provisions of the foregoing, under the circumstances contemplated thereby, to the best of our knowledge, do not and will not in any material respect conflict with or constitute on the part of the Agency a breach or default under any agreement or other instrument to which the Agency is a party or by which it is bound or by any existing law, regulation, court order or consent decree to which the Agency is subject;

5. The Official Statement and the Reviewed Documents each have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Agency enforceable in accordance with the respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights generally and the application of equitable principles if equitable remedies are sought;

6. No authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Agency is required for the valid authorization, execution, delivery and performance by the Agency of the Reviewed Documents, or for the adoption of the Resolution which has not been obtained;

7. To the best of our knowledge, the statements contained in the Official Statement under the captions "THE AGENCY," "THE MERGED PROJECT AREA," and "NO LITIGATION," do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and.

8. Except as otherwise disclosed in the Official Statement, and to the best of our knowledge, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the Agency, challenging the creation, organization or existence of the Agency or the validity of the Reviewed Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Reviewed Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Reviewed Documents, or which, in any manner, questions the right of the Agency to use the Subordinate Pledged Tax Revenues (as such term is defined in the Master Non-Housing and the Housing Indentures) for repayment of the Bonds, or affects in any manner the right or ability of the Agency to collect or pledge the Subordinate Pledged Tax Revenues.

We are licensed to practice law in the State of California and in federal court only and therefore do not express an opinion with respect to the laws of any other state. This opinion applied only to matters referred to herein and existing on this date. This opinion is qualified in that we express no opinion as to the effect of bankruptcy, insolvency, reorganization, moratorium, or of legal or equitable principles, or other laws in effect from time to time, relating to or affecting the enforcement of creditors' rights generally or indemnification or contribution rights which may be limited by applicable law, equitable principles or public policy. This opinion is solely for the benefit of the addressees in connection with the issuance of the above-referenced Bonds and is not to be relied upon by any other person or used, circulated, quoted, or otherwise referred to for any purpose.

Very truly yours,

Goldfarb & Lipman LLP

GOLDFARB & LIPMAN

Printed on Recycled Paper

CITY ATTORNEY

City of Richmond

July 12, 2007

Richmond Community Redevelopment Agency
Pittsburg, California

Dain Rauscher, Inc., doing business under
the trade name RBC Capital Markets
San Francisco, California

MBIA Insurance Corporation
Armonk, New York

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A

Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds
(Merged Project Areas) (Taxable)
2007 Series B

Ladies and Gentlemen:

We have acted as counsel to the Richmond Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Richmond Community Redevelopment Agency (the "Agency") of (1) Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), pursuant to an Indenture of Trust (the "Master Non-Housing Indenture"), as supplemented by the First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture" and together with the Master Indenture, the "Non-Housing Indenture"), each dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), and (ii) Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Area ) (Taxable), 2007 Series B (the "Series 2007B Bonds," and together with the Series 2007A Bonds, the "Bonds"), pursuant to an Indenture of Trust (the "Master Housing Indenture," as supplemented by the First Supplemental Housing Indenture of Trust (the "First Supplemental Housing Indenture" and, together with the Master Housing Indenture, the "Housing Indenture"), each dated as of July 1, 2007, by and between the Agency and the Trustee.

1401 MARINA WAY SOUTH, P.O. BOX 4046, RICHMOND, CA 94804 Telephone: (510) 620-6509
Fax: (510) 620-6518

We have reviewed the Bond Purchase Agreement, dated as of July 11, 2007, relating to the Series 2007A Bonds and the Bond Purchase Agreement, dated as of June 28, 2007, relating to the Series 2007B Bonds (together, the "Bond Purchase Agreements"), each by and among the Agency, the Authority, and RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "Underwriter"), Resolution No. 2-07 of the Authority, adopted by the Authority on June 5, 2007 (the "Authority Resolution"), and in the certified proceedings and such other documents, certificates and matters to the extent we deemed necessary to express the opinions set forth in the numbered paragraphs below.

Based on and subject to the foregoing, as of the date hereof, we are of the following opinions:

1. The Authority is a joint exercise of powers authority duly created, organized and existing under the laws of the State of California and has full legal right, power and authority to enter into the Bond Purchase Agreements.

2. The Authority Resolution approving and authorizing the execution and delivery of the Bond Purchase Agreements and the purchase and sale of the Bonds was duly adopted by the Authority and is in full force and effect and has not been modified, amended or rescinded.

3. The Joint Exercise of Powers Agreement, dated December 1, 1989, between the City of Richmond and the Agency, and the Bond Purchase Agreements have been duly authorized by the governing board of the Authority and executed on its behalf by an authorized officer of the Authority.

4. The statements contained in the Official Statement under the caption "THE AUTHORITY" do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5. Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending with respect to which the Authority has been served notice or known to be threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of the Bond Purchase Agreements or in any way contesting or affecting the validity of the Bond Purchase Agreements or contesting the authority of the Authority to enter into or perform its obligations under the Bond Purchase Agreements.

Respectfully Submitted,



Randy Riddle
City Attorney's Office

Printed on Recycled Paper

City of Richmond
CITY ATTORNEY

July 12, 2007

City of Richmond
Richmond, California

RBC Dain Rauscher, Inc.,
doing business under the trade
name RBC Capital Markets
San Francisco, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A

Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds
(Merged Project Areas) (Taxable)
2007 Series B

Ladies and Gentlemen:

I am counsel to the City of Richmond, California, in connection with the issuance by the Richmond Community Redevelopment Agency (the "Agency") of (1) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended (the "Law"), and an Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust (together the "Non-Housing Indenture"), each dated as of July 1, 2007 and each by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"), and (2) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Taxable) (Merged Project Areas), 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds"), issued pursuant to the Law and an Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust (together, the "Housing

1401 MARINA WAY SOUTH, P.O. BOX 4046, RICHMOND, CA 94804
Telephone: (510) 620-6509
Fax: (510) 620-6518

Indenture"), each dated as of July 1, 2007 and each by and between the Agency and the Trustee.

I have reviewed Resolution No. 2-07 of the City Council of the City, adopted on June 5, 2007 (the "City Resolution") approving and authorizing the issuance of the Bonds by the Agency and Ordinance No. 15-07 adopted by the City on May 29, 2007 (the "SB 1096 Ordinance") and such other documents, certificates and matters to the extent I deemed necessary to express the opinions set forth in the numbered paragraphs below.

Based on and subject to the foregoing, as of the date hereof, I am of the following opinions:

1. The City is a charter city and municipal corporation duly organized and validly existing under the laws and the Constitution of the State of California.

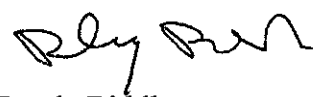
2. The City Resolution was duly adopted at a meeting of the City Council which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed.

3. The SB 1096 Ordinance was duly introduced and adopted at meetings of the City Council, which meetings were called and held pursuant to law with all public notice required by law and at which quorums were present and acting throughout, the period for filing a legal action to challenge the adoption of the SB 1096 Ordinance expired on June 28, 2007, and as of the date hereof, no legal action has been filed and such Ordinance is in full force and effect and has not been amended or appealed.

4. Except as otherwise disclosed in the Official Statement, dated June 28, 2007 relating to the Bonds, there is no action, suit, proceeding, hearing or investigation in which the City has been served with process, or otherwise pending or threatened against the City: (1) in any way challenging or affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such office; or (2) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds.

5. Based upon the information made available in the course of review of the Official Statement, but without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing came to the attention of the City Attorney which would lead to the belief that the statements and information contained in APPENDIX A–"ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND" to the Official Statement relating to the City, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Respectfully Submitted,



Randy Riddle

Execution Copy

# INDENTURE OF TRUST

**by and between**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

and

**UNION BANK OF CALIFORNIA, N.A.,**

as Trustee

Dated as of July 1, 2007

Relating to

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
HOUSING SET ASIDE SUBORDINATE TAX ALLOCATION BONDS
(MERGED PROJECT AREAS)

**TABLE OF CONTENTS**

**Page**


ARTICLE I DEFINITIONS AND AUTHORITY ..... 2

Section 1.01 Definitions ..... 2

Section 1.02 Rules of Construction ..... 25

Section 1.03 Authority for this Master Indenture ..... 26

ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS ..... 26

Section 2.01 Authorization of Bonds ..... 26

Section 2.02 Bonds Constitute Limited Obligations ..... 26

Section 2.03 Indenture to Constitute Contract ..... 27

Section 2.04 General Provisions for Issuance of Bonds ..... 27

Section 2.05 Additional Bonds ..... 29

Section 2.06 Refunding Bonds ..... 29

Section 2.07 Conditions to Issuance of Parity Obligations ..... 30

Section 2.08 Conditions of Issuance of Subordinated Obligations ..... 32

Section 2.09 Credit Provider Bonds ..... 34

Section 2.10 Limit on Indebtedness ..... 34

Section 2.11 Limitation on Issuance of Senior Bonds ..... 34

ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS ..... 35

Section 3.01 Medium of Payment; Form and Date; Letters and Numbers ..... 35

Section 3.02 Legends ..... 36

Section 3.03 Execution and Authentication ..... 36

Section 3.04 Book-Entry Bonds ..... 37

Section 3.05 Transfers Outside Book-Entry Program ..... 38

Section 3.06 Bond Register ..... 39

Section 3.07 Interchangeability of Bonds ..... 39

Section 3.08 Negotiability, Transfer and Registry ..... 39

Section 3.09 Regulations With Respect to Exchanges and Transfers ..... 39

Section 3.10 Bonds Mutilated, Destroyed, Stolen or Lost ..... 40

Section 3.11 Temporary Bonds ..... 40

Section 3.12 Cancellation and Destruction of Bonds ..... 41

ARTICLE IV REDEMPTION OF BONDS ..... 41

**TABLE OF CONTENTS**
**(continued)**

**Page**


| | | |
|---|---|---|
| Section 4.01 | Privilege of Redemption and Redemption Price | 41 |
| Section 4.02 | Redemption at the Direction of Agency | 41 |
| Section 4.03 | Redemption Otherwise Than at Agency's Direction | 41 |
| Section 4.04 | Selection of Bonds to be Redeemed | 42 |
| Section 4.05 | Notice of Redemption | 42 |
| Section 4.06 | Partial Redemption of Bonds | 43 |
| Section 4.07 | Effect of Notice and Availability of Redemption Money | 44 |
| ARTICLE V | ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF | 44 |
| Section 5.01 | Pledge of Subordinate Pledged Tax Revenues | 44 |
| Section 5.02 | Funds | 45 |
| Section 5.03 | Receipt and Deposit of Subordinate Pledged Tax Revenues | 45 |
| Section 5.04 | Special Fund | 46 |
| Section 5.05 | Redemption Fund | 50 |
| Section 5.06 | Depositories | 50 |
| Section 5.07 | Deposits | 50 |
| Section 5.08 | Investment of Certain Funds | 51 |
| Section 5.09 | Sale of Investments | 52 |
| ARTICLE VI | COVENANTS AND OBLIGATIONS OF THE AGENCY | 52 |
| Section 6.01 | Compliance with Indenture | 52 |
| Section 6.02 | Against Encumbrances | 53 |
| Section 6.03 | Extension or Funding of Claims for Interest | 53 |
| Section 6.04 | Payment of Claims | 53 |
| Section 6.05 | Books and Accounts; Financial and Project Statements | 54 |
| Section 6.06 | Protection of Security and Rights of Owners | 54 |
| Section 6.07 | Payment of Taxes and Other Charges | 54 |
| Section 6.08 | Financing the Project | 54 |
| Section 6.09 | Taxation of Leased Property | 55 |
| Section 6.10 | Disposition of Property in Project Area | 55 |
| Section 6.11 | Amendment of Redevelopment Plan | 55 |
| Section 6.12 | Subordinate Pledged Tax Revenues | 56 |
| Section 6.13 | Further Assurances | 56 |

**TABLE OF CONTENTS**
**(continued)**

**Page**


Section 6.14 Tax Covenants ..... 56
Section 6.15 Agreements with Other Taxing Agencies ..... 56
Section 6.16 Annual Review of Subordinate Pledged Tax Revenues ..... 57
ARTICLE VII AMENDMENTS TO INDENTURE ..... 57
Section 7.01 Amendments Permitted ..... 57
Section 7.02 Effect of Supplemental Indenture ..... 60
Section 7.03 Bonds Owned by Agency ..... 60
Section 7.04 Notation on Bonds ..... 61
Section 7.05 Consent of Providers or Owners of Parity Obligations ..... 61
ARTICLE VIII CONCERNING THE FIDUCIARIES ..... 61
Section 8.01 Trustee; Acceptance of Duties ..... 61
Section 8.02 Paying Agents; Appointment and Acceptance of Duties ..... 61
Section 8.03 Responsibilities of Fiduciaries ..... 61
Section 8.04 Evidence on Which Fiduciaries May Act ..... 64
Section 8.05 Compensation ..... 65
Section 8.06 Certain Permitted Acts ..... 65
Section 8.07 Resignation of Trustee ..... 65
Section 8.08 Removal of Trustee ..... 65
Section 8.09 Appointment of Successor Trustee; Financial Qualifications of Successor Trustee ..... 66
Section 8.10 Transfer of Rights and Property to Successor Trustee ..... 67
Section 8.11 Merger or Consolidation ..... 67
Section 8.12 Adoption of Authentication ..... 68
Section 8.13 Resignation or Removal of Paying Agent and Appointment of Successor ..... 68
ARTICLE IX DEFEASANCE ..... 68
Section 9.01 Payment of Bonds ..... 68
Section 9.02 Bonds Deemed Paid ..... 69
Section 9.03 Defeasance of Portion of Bond ..... 71
Section 9.04 Discharge of Liability on Bonds ..... 71
ARTICLE X EVENTS OF DEFAULT; REMEDIES ..... 71
Section 10.01 Events of Default ..... 71

**TABLE OF CONTENTS**
**(continued)**

**Page**


| | | |
|---|---|---|
| Section 10.02 | Accounting and Examination of Records After Default | 72 |
| Section 10.03 | Application of Subordinate Pledged Tax Revenues and Other Moneys After Default | 72 |
| Section 10.04 | Right to Accelerate Upon Default | 74 |
| Section 10.05 | Appointment of Receiver | 74 |
| Section 10.06 | Enforcement Proceedings | 74 |
| Section 10.07 | Restriction on Owner's Action | 75 |
| Section 10.08 | Remedies Not Exclusive | 76 |
| Section 10.09 | Effect of Waiver and Other Circumstances | 76 |
| Section 10.10 | Notice of Default | 77 |
| ARTICLE XI | MISCELLANEOUS | 77 |
| Section 11.01 | Execution of Documents and Proof of Ownership | 77 |
| Section 11.02 | Severability | 77 |
| Section 11.03 | General Authorization | 78 |
| Section 11.04 | Moneys Held for Particular Bonds | 78 |
| Section 11.05 | Credit Providers | 78 |
| Section 11.06 | Reserve Financial Guaranty Providers | 79 |
| Section 11.07 | No Recourse on Bonds | 79 |
| Section 11.08 | Unclaimed Moneys | 79 |
| Section 11.09 | Holidays | 80 |
| Section 11.10 | Governing Law | 80 |
| Section 11.11 | Headings Not Binding | 80 |
| Section 11.12 | Preservation and Inspection of Documents | 80 |
| Section 11.13 | Parties Interested | 80 |

# INDENTURE OF TRUST

**Relating to**

## RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET ASIDE SUBORDINATE TAX ALLOCATION BONDS

THIS INDENTURE OF TRUST, dated as of July 1, 2007, is entered into by and between the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, and Union Bank of California, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character in the Indenture set forth,

WITNESSETH

WHEREAS, the Agency (capitalized terms used in this Master Indenture shall have the meanings given such terms in Section 1.01) is a redevelopment agency duly created and authorized to transact business and exercise its powers under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the California Health and Safety Code and referred to herein as the "Law"), and the powers of such agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan for a redevelopment project designated as the "Richmond Community Redevelopment Agency Merged Project Areas" (the "Project") has been adopted and approved and all requirements of law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, the plan contemplates that the Agency will issue its bonds to finance or refinance a portion of the cost of such redevelopment; and

WHEREAS, the Richmond Joint Powers Financing Authority has heretofore authorized and issued its Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable) (the "Senior Bonds"); and

WHEREAS, the Agency covenants and agrees herein that it will not issue any additional Senior Bonds or incur any debt or other obligation payable on parity with the Senior Obligations so long as any Bonds issued under the Indenture are Outstanding; and

WHEREAS, the Agency has determined to provide for the issuance from time to time of Bonds, including Refunding Bonds, payable from the Subordinate Pledged Tax Revenues and amounts held in certain Funds maintained under this Master Indenture and, with respect to each Series of Bonds, from such Credit Support Instrument or Instruments as may be provided for such Series pursuant to the Supplemental Indenture authorizing such Series of Bonds; and

WHEREAS, the Agency has determined that each Series of the Bonds should be issued on the terms and conditions set forth in this Master Indenture as supplemented by a Supplemental Indenture authorizing such Series of Bonds; and

WHEREAS, the Bonds of each Series shall be payable from the Subordinate Pledged Tax Revenues on a parity with the payment of any other Parity Obligations currently outstanding or hereafter issued by the Agency in accordance with the Indenture; and

WHEREAS, the Agency has determined all acts and things which are necessary in connection with the authorization, execution and delivery this Master Indenture have been done and performed in due time, form and manner; and

WHEREAS, the Trustee has accepted the trust created and established by the Indenture and in evidence thereof has joined in the execution of this Master Indenture;

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE OF TRUST WITNESSETH:

## ARTICLE I

## DEFINITIONS AND AUTHORITY

**Section 1.01 Definitions**. Unless the context otherwise requires, the following terms, for all purposes of this Master Indenture and, unless otherwise provided therein with respect to such Supplemental Indenture or any Series of Bonds authorized by such Supplemental Indenture, any Supplemental Indenture, shall have the meanings set forth below:

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"Additional Bonds" means Bonds issued in accordance with the terms and conditions of this Master Indenture for the purposes set forth in Section 2.05.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, issued for the purposes set forth in Section 2.05 and satisfying the conditions set forth in Section 2.07.

"Adjusted Combined Debt Service" means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

"Agency" means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Agency Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

"Applicable Combined Obligations" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(e) and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"Authority" means the Richmond Joint Powers Financing Authority.

"Authorized Denominations" means, with respect to Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

"Authorized Agency Representative" means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

"Balloon Indebtedness" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"Basis Differential Amount" means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty

thereunder; provider, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Bond" means any of the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds authorized pursuant to Article II of this Master Indenture and a Supplemental Indenture.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

"Bond Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to Section 3.06.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

"Book-Entry Bonds" means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of Section 3.04.

"Business Day" means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (iv) any day on which the banks are authorized or required by law or other government action to close in

the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capped Bonds" means Bonds issued hereunder as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Combined Debt Service" means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

"Combined Adjusted Annual Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(b) or (e), as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in any Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in this Master Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Costs of Issuance" means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"Credit Provider Reimbursement Obligations" means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or

for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be

refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(e), shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt

service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in Section 2.07.

"Debt Service Adjustments and Assumptions" means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to Section 5.04(a), the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations, as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit

determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent subsection (h) applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent subsection (h) applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual

Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

"Debt Service Reserve Account" means the Debt Service Reserve Account, and any account thereof, established pursuant to Section 5.02.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest

on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of this Indenture.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

"Event of Default" means an event described as such in Section 8.01.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to Article IX; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of this Master Indenture or the Supplemental Indenture requiring such an opinion.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

"Fiduciary" means the Trustee for the Bonds appointed as provided in Section 8.02.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

"Fitch" means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Generally Accepted Accounting Principles" means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hedged Bonds" means Bonds issued hereunder as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency's payment obligations under the Qualified Swap Agreement are

based upon a fixed interest rate for the term thereof, and (d) the counterparty's payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

"Indenture" means, this Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Information Services" means any of the following services which has been designated in a certificate of the Agency delivered to the Trustee: Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; or such other services providing information with respect to called bonds as the Agency may designate in a certificate of the Agency delivered to the Trustee.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Interest Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Interest Payment Date" means, with respect to a Series of Bonds, each date on which interest on Bonds of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture authorizing the issuance of such Series.

"Issuing Instrument" means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Master Indenture" means this Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, as the provisions hereof may be modified or amended from time to time in accordance with Article VII.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Net Payment" means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required herein, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and

lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to Section 2.07(e), Senior Bonds.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in Article VII, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

"Parity Obligations" means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of Section 2.07, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of

Bonds pursuant to Section 8.01(b) or Section 8.02, and its successor or successors appointed in the manner provided in the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures – U.S. government guaranteed public housing notes and bonds, U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the 2007 Series B Bond Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1" or better by Standard & Poor's;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(12) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the 2007 Series B Bond Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the 2007 Series B Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Principal Office" means, with respect to: (i) the Trustee, the principal office of such Trustee in _____, which as of the date hereof is located at _____; and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area*, initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area*, initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area*, initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area*, initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area*, initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area*, initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area*, initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area*, initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area,* initially established April 4, 1960, as amended from time to time.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of Section 2.07(a), intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

"Redemption Date means, with respect to any Bonds to be redeemed in accordance with this Master Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

"Redemption Fund" means the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds Redemption Fund established pursuant to Section 5.02

"Redemption Price" means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

"Redevelopment Plan" means, collectively, the Redevelopment Plans for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan."

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of this Master Indenture for the purposes, and satisfying the conditions of Section 2.06.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in Section 2.06 and satisfying the conditions set forth in Section 2.07.

"Remaining Redevelopment Plan Limit" means the applicable time limit to collect tax increment under the Redevelopment Plan.

"Representation Letter" means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance herewith.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Obligations" means the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), but only with respect to the payments thereunder required to be paid from amounts allocable to the housing fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable).

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable) and all of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt).

"Set Aside Revenues" means, for any period of time, the portion of all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period.

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to Section 5.02.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Special Fund" means the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds Special Fund established pursuant to Section 5.02.

"Special Record Date" has the meaning set forth in Section 3.02(f).

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of Section 2.08.

"Subordinate Pledged Tax Revenues" means, for any period of time, (a) Set Aside Revenues, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period and (ii) Senior Debt Service payable during such period, and (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with Article VII.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tax Revenues" means, for any period of time, (a) Set Aside Revenues, excluding amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, and (b) all receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds.

"TBMA Index" means The Bond Market Association Municipal Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then "TBMA Index" shall mean such other reasonably comparable index selected by the Agency.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"Trustee" means, Union Bank of California, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of Section 8.09.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

**Section 1.02 Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including districts, agencies and other public bodies, as well as natural persons. Unless otherwise indicated, references in this Master Indenture to subsections, Sections and Articles are to such subsections, Sections and Articles of this Master Indenture. Unless the context requires otherwise, the terms "herein," "hereof," "hereunder" and any similar terms, as used in this Master

Indenture, shall refer to this Master Indenture as a whole and not to any particular provisions of this Master Indenture. Defined terms shall include any variant of the terms set forth in this Article.

The term "principal" when used with reference to a Capital Appreciation Obligation as of its maturity date shall refer to the Final Compounded Amount of such Capital Appreciation Obligation and as to any other date, the Accreted Value of such Capital Appreciation Obligation as of such date. The term "principal" when used with reference to a Parity Obligation which is a Credit Provider Reimbursement Obligation shall refer to the amount advanced by the Credit Provider to the extent not included in Parity Obligations as Credit Provider Bonds. The term "interest" when used with reference to a Parity Obligation which is a Qualified Swap Agreement shall refer to the Net Payments due from the Agency under such Qualified Swap Agreement.

The term "issue" shall include issuance, creation, incurrence, entering into an agreement or any other act pursuant to which a party may become obligated with respect to an Obligation. The term "include" shall not be construed to be limited to the items or the type of items listed after such word, which items are by way of example and not limitation, but the term shall be construed as meaning "including without limitation."

**Section 1.03 Authority for this Master Indenture.** This Master Indenture is entered into by the Agency pursuant to the provisions of the Law.

## ARTICLE II

## AUTHORIZATION AND ISSUANCE OF BONDS

**Section 2.01 Authorization of Bonds.**

**(a)** This Master Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as may hereafter be provided in the Indenture or as may be limited by law.

**(b)** The Bonds may be issued in one or more Series, and the designation thereof, in addition to the name "Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds," shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Agency may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

**Section 2.02 Bonds Constitute Limited Obligations.** The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under this

Master Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this Section shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

The Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the Agency or any of its income or receipts except the Subordinate Pledged Tax Revenues pledged therefor pursuant to this Master Indenture which pledge is subject to the provisions hereof permitting the application of the Subordinate Pledged Tax Revenues for the purposes and on the terms and conditions set forth herein. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Subordinate Pledged Tax Revenues, which lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues shall be on a parity with any pledge of Subordinate Pledged Tax Revenues securing Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements, and the Subordinate Pledged Tax Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds and for such Parity Obligations. The Bonds are not a debt of the City of Richmond, 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 Bonds constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in this Master Indenture). The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or in respect of any undertakings by the Agency under the Indenture; but nothing herein contained shall relieve any member, officer or employee of the 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.

**Section 2.03 Indenture to Constitute Contract.** In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

**Section 2.04 General Provisions for Issuance of Bonds.**

**(a)** All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon

the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of this Master Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in Section 2.05 or 2.06; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to Article IV, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the

certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that this Master Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligation of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in Section 2.06 or Section 2.07, as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required in Section 2.06(b) or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by Section 2.06(c), as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of Section 2.05 or Section 2.06 or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**(b)** After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Section 2.05 Additional Bonds.** Subject to Section 2.07, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Section 2.06 Refunding Bonds.**

**(a)** Subject to Section 2.07, one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any

portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

**(b)** Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.04 and except as otherwise provided in subsection (c) of this Section with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

**(c)** A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by Section 2.04) of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

**(d)** The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Section 2.07 Conditions to Issuance of Parity Obligations.**

**(a)** Without regard to subsection (e) of this Section, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

**(b)** The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in subsection (e) of this Section are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that

the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

**(c)** Without regard to subsection (e) of this Section, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

**(d)** Without regard to subsection (e) of this Section, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

**(e)** The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds

described in Section 7.03), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in this Master Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Section 2.08 Conditions of Issuance of Subordinated Obligations.**

**(a)** The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of Section 2.07(e) for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

**(b)** The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to

pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

**(c)** Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

**Section 2.09 Credit Provider Bonds**. Subject only to Section 2.02, notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

**Section 2.10 Limit on Indebtedness**. The Agency covenants with the Owners of the Bonds and the owners of all other Outstanding Parity Obligations at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Law the payments with respect to which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to all Parity Obligations) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes that can be allocated to the Agency pursuant to Section 33333.2(1) of the Law and the Redevelopment Plan.

**Section 2.11 Limitation on Issuance of Senior Bonds**. The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

## ARTICLE III

## GENERAL TERMS AND PROVISIONS OF BONDS

### Section 3.01 Medium of Payment; Form and Date; Letters and Numbers.

**(a)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall be payable, with respect to principal, Redemption Price, if any, Purchase Price, if any, and interest in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

**(b)** The Bonds shall be issued in the form of fully registered bonds without coupons in Authorized Denominations.

**(c)** Each Bond shall be lettered and numbered as determined by the Trustee so as to be distinguished from every other Bond.

**(d)** The Bonds of each Series shall be dated as provided in or determined pursuant to the Supplemental Indenture authorizing such Series. Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such Bonds are authenticated on an Interest Payment Date, in which event from such Interest Payment Date; and (ii) unless such Bonds are authenticated after a Record Date and before the next succeeding Interest Payment Date for such Bonds, in which event from such Interest Payment Date; provided, however, that if the date of authentication of a Bond shall be prior to the Record Date for the first Interest Payment Date for such Bond, such Bond shall bear interest from its original dated date. Notwithstanding the foregoing, if the Agency shall default in the payment of interest, then the Bonds shall bear interest from the date to which interest has been paid or if no interest has been paid, from their original dated date.

**(e)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the interest payable on Bonds shall be calculated on the basis of a 360-day year of twelve, thirty day months.

**(f)** Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds (or, with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series), interest on each Bond shall be payable on each Interest Payment Date for such Bond and shall be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least $1,000,000 aggregate principal amount (or, with respect to a Series of the Bonds, such other principal amount as may be specified in the Supplemental Indenture authorizing such Series), of Bonds of any Series may, at any time prior to a Record Date with respect to the payment of interest on such Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Bonds by wire transfer or by deposit to an account.

Notwithstanding the foregoing, however, if the Agency shall default in the payment of interest due on Bonds on any Interest Payment Date, such interest shall cease to be payable to the persons in whose name such Bonds were registered in the Bond Register on the Record Date for such Interest Payment Date, and shall be payable, when and if paid by the Agency, to the persons in whose names such Bonds are registered at the close of business on the record date fixed therefor by the Trustee (each a "Special Record Date"), which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment.

Unless redeemed prior to such date, the principal of each Bond shall be payable on its maturity date and the Redemption Price of each Bond called for redemption prior to maturity, subject to the terms of Section 4.05(b), shall be payable on the applicable redemption date. Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds, the principal and, if applicable, the Redemption Price of each Bond shall be payable only upon presentation and surrender of such Bond at the Principal Office of the Trustee or any other Paying Agent for such Bond.

**Section 3.02 Legends**. Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange, commission or brokerage agent, or otherwise, as may be determined by the Agency prior to the authentication and delivery thereof.

**Section 3.03 Execution and Authentication.**

**(a)** The Bonds shall be executed in the name of the Agency by the manual or facsimile signature of the Chair or Vice Chair of the Agency and attested by the facsimile or manual signature of the Clerk of the Agency, or in such other manner as may be authorized by Supplemental Indenture or required by law. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as provided in the Indenture, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices. Any Bond may be signed on behalf of the Agency by such persons as at the time of the execution of such Bond shall be duly authorized or hold the proper office in Agency, although at the date borne by such Bonds such persons may not have been so authorized or have held such office.

**(b)** The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Series, executed manually by the Trustee, including any Paying Agent appointed as agent for the Trustee pursuant to Section 8.01(b). Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Indenture and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Agency shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Indenture and that the Owner thereof is entitled to the benefits of the Indenture.

**Section 3.04 Book-Entry Bonds.**

**(a)** Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series shall be issued as Book-Entry Bonds in fully registered form with no distribution of physical bonds made to the public. Except as otherwise provided in Section 3.05, the Book-Entry Bonds of each Series shall be registered in the name of the Securities Depository or its Nominee as directed by the Securities Depository. The payment of Book-Entry Bonds and the giving of notices shall be governed by the terms of the Representations Letter with the Securities Depository for the Book-Entry Bonds. DTC shall act as the initial Securities Depository for the Book-Entry Bonds and has designated Cede & Co. as its Nominee. DTC has represented to the Agency that it shall maintain a book-entry program in recording ownership interests in the Book-Entry Bonds of its Participants and the ownership interests of a Beneficial Owner of a Bond shall be recorded through book entries on the records of the Participants.

**(b)** Bonds of each Series which are not Book-Entry Bonds shall be delivered to the Owners thereof as fully registered Bonds in the form specified in the Supplemental Indenture authorizing the issuance of such Series of Bonds, with the ownership of such Bonds being recorded in the Bond Register.

**(c)** In the event that the DTC or any successor Securities Depository ceases to act as Securities Depository for Bonds of a Series, then Bonds of such Series in certificated form shall be issued to the Owners in substantially the form of the Bond delivered to the former Securities Depository or its Nominee with necessary changes to reflect non-book-entry status as shall be approved by the officers of the Agency executing such Bonds. The issuance of individual Bonds in certificated form shall be accomplished as provided in the Representation Letter.

**(d)** With respect to Bonds registered in the Bond Register in the name of a Securities Depository or a Nominee, the Agency, the Trustee and each Paying Agent shall have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, none of the Agency, the Trustee or any Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of a Securities Depository, its Nominee or any Participant as to any ownership interest in the Bonds, (ii) the delivery to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds, or (iii) the payment to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal and Purchase Price of, premium, if any, or interest on the Bonds. The Agency, the Trustee and each Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of principal and Purchase Price of, premium, if any, and interest on such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. None of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary. All principal and Purchase Price of, premium, if any, and interest on the Bonds shall be paid only to or upon the order of the respective Owner, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments

shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal and Purchase Price of, Redemption Price, if any, and interest on the Bonds to the extent of the sum or sums so paid, and none of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the Agency to make payments of principal and Purchase Price of, Redemption Price, if any, and interest pursuant to the Indenture.

**(e)** Upon delivery by a Securities Depository to the Agency of written notice to the effect that the Securities Depository has determined to substitute a new Nominee in place of its current Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee for purposes of the Indenture shall refer to such new Nominee of the Securities Depository; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

**(f)** Notwithstanding any other provision of the Indenture and so long as Book-Entry Bonds are registered in the name of a Nominee, the Agency and the Trustee shall cooperate with the Securities Depository in effecting payment of the principal of, Redemption Price, if any, and interest on such Book-Entry Bonds by arranging for payment in such manner as the Securities Depository may reasonably instruct in writing that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Representation Letter, the provisions of which the Trustee may rely upon to implement the foregoing procedures.

**(g)** A Securities Depository for the Book-Entry Bonds may resign upon giving 30 days written notice of such resignation to the Agency and the Trustee. The Agency may terminate the use of the book-entry system of a Securities Depository for Book-Entry Bonds upon giving 30 days written notice of such termination to the Securities Depository and the Trustee. Any such resignation or termination shall become effective upon the earlier of the appointment of a successor Securities Depository for Book-Entry Bonds by the Agency or the issuance of Bonds which are not Book-Entry Bonds pursuant to Section 3.05.

**Section 3.05 Transfers Outside Book-Entry Program.** In the event that the resignation or removal of a Securities Depository has become effective pursuant to Section 3.04(g), then the Agency shall thereupon discontinue the current book-entry program for the Book-Entry Bonds with such Securities Depository. In such event, the Agency shall cause the Trustee to obtain from the former Securities Depository a list showing the interests of the Participants in the Book-Entry Bonds and shall cause such Book-Entry Bonds to be surrendered to the Trustee on or before the date any replacement Bonds are to be issued. Furthermore, in such event the Agency determines to use a substitute Securities Depository, the Agency shall so notify the Trustee and each Paying Agent for Book-Entry Bonds. If, prior to the termination of the current Securities Depository's book-entry system for the Book-Entry Bonds, the Agency fails to identify another qualified Securities Depository to replace the current Securities Depository, then the Book-Entry Bonds shall no longer be required to be registered in the name of a Securities Depository or its Nominee and the Agency shall issue, and the Trustee shall authenticate, replacement Bonds in the appropriate amounts and in whatever name or names the

Owners of the Book-Entry Bonds shall designate pursuant to the Representation Letter with the former Securities Depository. In the event the Agency determines that the Beneficial Owners of the Bonds shall be able to obtain physical Bonds through a Securities Depository, the Agency may notify the Participants identified by the Securities Depository as having an interest in the Bonds of the availability of such physical Bonds and the Trustee shall authenticate, transfer and exchange Bonds as required by the Securities Depository in the appropriate names and amounts, which shall be in Authorized Denominations.

**Section 3.06 Bond Register**. The Trustee shall keep or cause to be kept, at its Principal Office, the Bond Register for the registration and transfer of the Bonds of each Series which shall at all times be open to inspection during regular business hours by the Agency, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on said Bond Register, Bonds of each Series as provided in the Indenture.

The Agency, the Trustee and each Paying Agent may rely on the address of the Owner of each Bond as it appears on the Bond Register for any and all purposes. It shall be the duty of the Owner of each Bond to give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

**Section 3.07 Interchangeability of Bonds**. Upon surrender of a Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee and duly executed by the Owner or the Owner's attorney duly authorized in writing, may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Trustee may make as provided in Section 3.09, be exchanged for an equal aggregate principal amount of Bonds of the same Series, terms and maturity of any other Authorized Denominations.

**Section 3.08 Negotiability, Transfer and Registry**. Each Bond shall be transferable only upon the Bond Register, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond, the Agency shall execute and the Trustee shall authenticate, deliver and register in the Bond Register in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, terms and maturity as the surrendered Bond.

**Section 3.09 Regulations With Respect to Exchanges and Transfers**. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, in all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture relating to such Bonds. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and cancelled by the Trustee. Unless the Indenture relating to such Bonds provides that such transfer or exchange shall be made without charge to the Owner, for every such exchange or transfer of Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid and any other cost incurred by the Agency or the Trustee with respect to such exchange or transfer.

**Section 3.10 Bonds Mutilated, Destroyed, Stolen or Lost.** Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, if any Bond becomes mutilated or is lost, stolen or destroyed, the Agency may execute and the Trustee shall authenticate and deliver a new Bond of like date of Series, maturity, principal amount and terms as the Bond so mutilated, lost, stolen or destroyed; provided that (i) in the case of such mutilated Bond, such Bond is first surrendered to Agency or the Trustee, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Trustee together with indemnity satisfactory to the Trustee, (iii) all other reasonable requirements of the Agency and the Trustee are complied with, and (iv) expenses in connection with such transaction are paid by the Owner. Any Bond surrendered for exchange shall be cancelled. Any such new Bond issued pursuant to this Section in substitution for a Bond alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Agency, whether or not the Bond so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally payable from the Subordinate Pledged Tax Revenues on a parity with and entitled to equal and proportionate benefits with, all other Bonds.

**Section 3.11 Temporary Bonds.**

**(a)** Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, until the definitive Bonds are prepared, the Agency may execute, in the same manner as is provided in Section 3.03, and upon the request of the Agency, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the exchangeability for Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds shall be payable in the same manner as interest is payable on the definitive Bonds in lieu of which such temporary Bonds were issued. The Agency, at its own expense, shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive registered Bonds of the same aggregate Series, principal amount, terms, maturity and date of issue as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds of a Series shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture authorizing the issuance of such Series of Bonds.

**(b)** Temporary Bonds authorized in more than one denomination, upon surrender thereof at the Principal Office of the Trustee, may at the option of the Owner thereof, and upon payment by such Owner of any charges which may be made as provided in Section 3.09 be exchanged for an equal aggregate principal amount of temporary Bonds of the same Series, maturity, and containing the same terms, of any of the Authorized Denominations as shall be requested by such Owner.

**(c)** All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

**Section 3.12 Cancellation and Destruction of Bonds**. All Bonds paid or redeemed, either at or before maturity, and all Bonds surrendered for transfer or exchange, shall be delivered to the Trustee when such payment, redemption or surrender is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Agency and the other executed certificate shall be retained by the Trustee.

## ARTICLE IV

## REDEMPTION OF BONDS

**Section 4.01 Privilege of Redemption and Redemption Price**. Bonds of each Series subject to redemption prior to maturity pursuant to the Supplemental Indenture authorizing such Series shall be redeemable, upon giving notice as provided in this Article IV, at such times and at such redemption prices as shall be specified in or pursuant to the Supplemental Indenture authorizing such Series and upon such terms as may be specified in this Article IV.

**Section 4.02 Redemption at the Direction of Agency**. In the case of a redemption of Bonds of any Series at the option or direction of the Agency, the Agency shall give written notice to the Trustee of the exercise of its option to redeem Bonds or of its direction to otherwise cause the redemption of Bonds at its direction, and of the redemption date, principal amounts of the Bonds of such Series and maturity to be redeemed (which Series, maturities and principal amounts shall be determined by the Agency in its sole discretion, subject to any limitations with respect thereto contained in the Supplemental Indenture authorizing such Series of Bonds and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed shall be in an Authorized Denomination). Such notice shall be given at least forty (40) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 4.05 provided, other than a conditional notice pursuant to Section 4.05(b), there shall be paid on or prior to the redemption date to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, shall be sufficient to redeem on the applicable redemption date at the Redemption Price, all of the Bonds to be redeemed.

**Section 4.03 Redemption Otherwise Than at Agency's Direction**. Whenever by the terms of the Indenture, the Trustee is required or authorized to redeem Bonds otherwise than at the option or direction of the Agency and the Indenture does not expressly set forth the principal amount of Bonds of each Series and maturity so subject to redemption to be redeemed, the Agency may select the principal amounts of the Bonds of each Series and maturity to be redeemed (which Series, maturities and principal amounts to be redeemed shall be determined by the Agency in its sole discretion, subject to any limitations with respect thereto contained in the Indenture and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed shall be in an Authorized Denomination) and in the event the Agency does not notify the Trustee of such Series, maturities, and principal amounts, to be redeemed on or before the forty-fifth (45th) day preceding the redemption date, the Trustee shall,

in its sole discretion, subject to any limitations with respect to the Series, maturity, or principal amount of Bonds to be redeemed contained in the Indenture, select the Series, maturities and principal amounts of Bonds to be redeemed, which selection shall be conclusive, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof to the Owners of the Bonds to be redeemed or to appropriate Paying Agents in accordance with the terms of this Article IV.

**Section 4.04 Selection of Bonds to be Redeemed.** If less than all of the Outstanding Bonds, or less than all of the Outstanding Bonds of like Series and maturity, shall be called for prior redemption, except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, the particular Bonds or portions of Bonds to be redeemed shall, subject to any limitations with respect thereto contained in the Indenture, be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination greater than the minimum Authorized Denomination for the Bonds of a Series shall be redeemed in part only in a principal amount such that the portion of such Bond which is not redeemed shall be in an Authorized Denomination for such Series and that, in selecting portions of Bonds of a Series for redemption, the Trustee shall treat each Bond of each Series as representing that number of Bonds of the minimum Authorized Denomination for such Series which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for the Bonds of such Series.

**Section 4.05 Notice of Redemption.**

**(a)** When the Trustee shall receive notice from the Agency of the exercise of its option to redeem Bonds or of its direction to otherwise cause the redemption of Bonds pursuant to Section 4.02, and when redemption of Bonds of a Series is authorized or required pursuant to Section 4.03, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the redemption date to the Owners of any Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register with a copy of such notice to the relevant Credit Provider, if any. Such notice shall specify the Series and maturity date of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof to be redeemed in the case of Bonds to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such Bond to be redeemed shall cease to accrue and be payable.

Receipt of such notice shall not be a condition precedent to the redemption of Bonds and failure of any Owner of a Bond to receive any such notice or any insubstantial defect

in such notice shall not affect the validity of the proceedings for the redemption of Bonds. Any defect in such notice given to the Owners of less than all of the Bonds to be redeemed shall not affect the validity of the proceedings for the redemption of the Bonds as to which the notice of redemption did not contain such defect.

**(b)** In the event that funds required to pay the Redemption Price of the Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Bonds at the option of the Agency is given, such notice shall state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Agency shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of Bonds pursuant to the conditional notice of redemption.

**(c)** If upon the expiration of sixty (60) days succeeding any redemption date, any Bonds called for redemption shall not have been presented to the Trustee for payment, the Trustee shall no later than ninety (90) days following such redemption date, send written notice by first class mail to the Owner of each Bond not so presented. Failure to mail the notices required by this subsection to any Owner, or any defect in any notice so mailed, shall not affect the validity of the proceedings for redemption of any Bonds nor impose any liability on the Trustee.

**(d)** In addition to the notice of redemption required pursuant to subsection (a) of this Section, if any Bonds are to be redeemed, then at the written request of an Authorized Agency Representative received at least forty-five (45) days before the redemption date, at least thirty (30) days before the redemption date, the Trustee shall also give redemption notice by (i) registered or certified mail, return receipt requested, postage prepaid, (ii) telephonically confirmed facsimile transmission, (iii) overnight delivery service or (iv) other means acceptable to such Information Service, to one of the Information Services.

Failure to give the notices described in this subsection or any defects therein, shall not in any manner affect the proceedings for redemption of any Bonds.

**(e)** Neither the Agency nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bonds or in any redemption notice or other notice with respect thereto, and any such redemption notice or other notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Agency nor the Trustee shall be liable for any inaccuracy in such numbers.

**Section 4.06 Partial Redemption of Bonds.** Upon surrender of any Bond to be redeemed in part only, the Agency shall execute, and the Trustee shall authenticate and deliver to

the Owner of such Bond, at the expense of the Agency, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, of the same Series, maturity and terms as the surrendered Bond.

**Section 4.07 Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly mailed to the Owners of the Bonds to be redeemed (in whole or in part), as provided in Section 4.05, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

**(a)** the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, as provided in the Indenture, anything in such Indenture or in the Bonds to the contrary notwithstanding;

**(b)** except as otherwise provided in a Representation Letter, upon presentation and surrender thereof at the Principal Office of the Trustee or another Paying Agent for such Bonds, the Bonds to be redeemed shall be redeemed at the applicable Redemption Price;

**(c)** the Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

**(d)** after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

## ARTICLE V

## ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

**Section 5.01 Pledge of Subordinate Pledged Tax Revenues.** Subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency hereby irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special

Fund and in the funds or accounts so specified and provided for in this Master Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in this Master Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in this Master Indenture and without the need for any physical delivery, recordation, filing or further act.

**Section 5.02 Funds**. To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are hereby established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

**(a)** the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

**(b)** the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds Redemption Fund (the "Redemption Fund").

**Section 5.03 Receipt and Deposit of Subordinate Pledged Tax Revenues**. After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer, on a quarterly basis, all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to Section 5.04 hereof. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to Section 5.04 of this Indenture, shall be released from the pledge and lien hereunder and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in Article IX.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes herein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

**Section 5.04 Special Fund. (a)** All moneys in the Special Fund shall be set aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section 5.04.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to this Section 5.04, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account. (i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds

or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to Section 9.02, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by Section 5.04(a)(4), the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute

Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty" in Section 1.01, the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, the provisions of this Section 5.04(a)(4) shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

**(b)** In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of subsection (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

**(c)** In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of subsection (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of subsection (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

**(d)** In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate

account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to this Section, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

**Section 5.05 Redemption Fund**. From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this Section, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this Section, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

**Section 5.06 Depositories.** The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes hereof.

**Section 5.07 Deposits.**

**(a)** All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit,

provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

**(b)** All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" in Section 1.01 having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this 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.

**Section 5.08 Investment of Certain Funds.** Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" in Section 1.01 which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in this Section 5.08, invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental Indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

**Section 5.09 Sale of Investments.** Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

## ARTICLE VI

## COVENANTS AND OBLIGATIONS OF THE AGENCY

The Agency covenants with the Owners of the Outstanding Bonds and with each Credit Provider and each provider or owner of other Parity Obligations as set forth in this Article VI. Each of said covenants shall remain in full force and effect so long as any of the Bonds shall be Outstanding and unpaid, any Credit Support Instrument remains outstanding, and any Credit Provider Reimbursement Obligations remain unpaid.

**Section 6.01 Compliance with Indenture.** The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and

performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

**Section 6.02 Against Encumbrances.** The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

**Section 6.03 Extension or Funding of Claims for Interest.** In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Section 6.04 Payment of Claims.** The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

**Section 6.05 Books and Accounts; Financial and Project Statements.** The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries shall be made of all transactions relating to the Project. 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 Bonds then Outstanding and each provider or owner of other Parity Obligations or their respective representatives authorized in writing.

The Agency will prepare and file with the Trustee, the Credit Provider, if any, and, if requested, each provider or owner of Parity Obligations (other than Owners of Bonds), 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 Bonds or other Parity Obligations 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 Agency and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee, at the expense of the Agency, will furnish a copy of such audited financial statement to any Owner upon written request. The Trustee shall provide such statements with regard to any funds held by the Trustee hereunder to the Agency as the Agency may reasonably require to comply with the terms of this Section 6.05. The Trustee shall have no duty to review any financial statements filed with it hereunder..

**Section 6.06 Protection of Security and Rights of Owners.** The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

**Section 6.07 Payment of Taxes and Other Charges.** Subject to the provisions of Section 6.09 hereof, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing herein contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

**Section 6.08 Financing the Project.** The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

**Section 6.09 Taxation of Leased Property**. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

**Section 6.10 Disposition of Property in Project Area**. The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of this Master Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of this Master Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less one hundred twenty-five percent (125%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

**Section 6.11 Amendment of Redevelopment Plan**. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in Section 2.07(e), the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in Section 2.07(e), the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

**Section 6.12 Subordinate Pledged Tax Revenues.** The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

**Section 6.13 Further Assurances.** The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

**Section 6.14 Tax Covenants.** The 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 Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under 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 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 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 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 hereunder 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.

**Section 6.15 Agreements with Other Taxing Agencies.** So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law (as it existed on _____) or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

**Section 6.16 Annual Review of Subordinate Pledged Tax Revenues.** The Agency hereby covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than _____ 1 (commencing _____ 1, 20__), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by this Section 6.16, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

## ARTICLE VII

## AMENDMENTS TO INDENTURE

**Section 7.01 Amendments Permitted.**

**(a)** Subject to the provisions of subsection (d) of this Section, the provisions of this Master Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of subsection (d) of this Section are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this Section. No such modification,

amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes of this Section, the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to this subsection, the Agency shall have received an instrument or instruments in writing executed in accordance with Section 11.01 by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

**(b)** This Master Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of Article II, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of

subsection (f) of this Section, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

**(c)** This Master Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

**(i)** to add to the covenants and agreements of the Agency contained in this Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

**(ii)** to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under this Master Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

**(iii)** to modify, amend or supplement this Master Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

**(d)** Notwithstanding anything to the contrary in this Section, the provisions of this Master Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in subsection (a) of this Section, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of subsection (a) of this Section is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

**(e)** If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this Section, then for the purposes of sending notice of any

proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of subsection (b) of this Section, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

**(f)** For purposes of this Section, it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this Section if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

**(g)** Notwithstanding anything to the contrary contained in this Section, if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

**Section 7.02 Effect of Supplemental Indenture**. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to this Article, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

**Section 7.03 Bonds Owned by Agency**. For purposes of this Article, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article as an Owner of Bonds. At the time of any consent or other action taken under this Article, the Agency shall furnish the Trustee a certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

**Section 7.04 Notation on Bonds**. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in this Article provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

**Section 7.05 Consent of Providers or Owners of Parity Obligations**. This Master Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under this Master Indenture without the prior written consent of such provider or owner of such Parity Obligations.

## ARTICLE VIII

## CONCERNING THE FIDUCIARIES

**Section 8.01 Trustee; Acceptance of Duties**. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of this Master Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

**Section 8.02 Paying Agents; Appointment and Acceptance of Duties.**

**(a)** The Agency hereby appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 8.13 as an additional Paying Agent for the Bonds of one or more Series.

**(b)** Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

**(c)** The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

**Section 8.03 Responsibilities of Fiduciaries.**

**(a)** Any recitals of fact in the Indenture and in the Bonds contained shall be taken as the statements of the Agency and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency

of the Indenture or of any Bonds issued thereunder or as to the security afforded by the Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) of this Section, no Fiduciary shall be liable in connection with the performance of its duties under the Indenture except for its own negligence, willful misconduct or default.

**(b)** The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section.

Without limiting the generality of the foregoing:

(1) the Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of a Credit Provider or a Reserve Financial Guaranty Provider or the Owners of 25% in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture;

(3) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(4) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners, a Credit Provider or a Reserve Financial Guaranty Provider pursuant to the Indenture (except for declaring an acceleration of the Bonds or requesting credit and/or liquidity support pursuant to a Credit Support Instrument), unless such Owners, such Credit Provider or such Reserve Financial Guaranty Provider shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(5) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon, facsimile transmission, electronic mail or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Agency, personally or by agent or attorney;

(6) the Trustee shall not be required to take notice of and shall not be deemed to have knowledge of any Event of Default (other than an Event of Default specified in subsection (i) of Section 10.01) or any event which would, with the passage of time, the giving of notice, or both, constitute an Event of Default, unless the Trustee shall have been notified of such Event of Default or other event by the Agency, a Credit Provider or a Reserve Financial Guaranty Provider, or the Owners of 10% in aggregate principal amount of Bonds Outstanding;

(7) the Trustee shall not be responsible for any moneys or funds held by the Agency), or for monitoring the accounting and investment practices of the Agency, other than requiring the delivery of the Annual Budget and annual financial statements and reports pursuant to Section 6.05;

(8) The Trustee may perform its duties under the Indenture through agents and attorneys and the Trustee shall not be liable for the negligence or misconduct on the part of any

agent or attorney appointed with due care by it under the Indenture if the Agency has a right to proceed directly against such agent or attorney for any such negligence or misconduct; and

(9) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Whether or not therein expressly provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

**Section 8.04 Evidence on Which Fiduciaries May Act.**

**(a)** Each Fiduciary, upon receipt of any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Indenture, shall examine such instrument to determine whether it conforms to the requirements, if any, of the Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be Bond Counsel or counsel to the Agency, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

**(b)** Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Agency Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

**(c)** Except as otherwise expressly provided in the Indenture, any request, requisition, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Indenture by the Agency to any Fiduciary shall be sufficiently executed in the name of the Agency by an Authorized Agency Representative

**(d)** The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture; provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

**Section 8.05 Compensation**. The Agency shall cause to be paid to each Fiduciary from time to time reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Indenture; provided, however, that so long as any Bonds remain Outstanding or any amounts due to a Credit Provider under a Credit Support Agreement or a Reserve Financial Guaranty Provider under a Reserve Financial Guaranty, no Fiduciary shall have a lien therefor on any and all funds at any time held by it under the Indenture. Subject to the provisions of Section 8.03, the Agency further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture or the transactions contemplated by the Indenture, and which are not due to its negligence, willful misconduct or default.

**Section 8.06 Certain Permitted Acts**. Any Fiduciary may become the Owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

**Section 8.07 Resignation of Trustee**. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with Section 8.09.

**Section 8.08 Removal of Trustee**. The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would

become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with Section 8.09 .

**Section 8.09 Appointment of Successor Trustee; Financial Qualifications of Successor Trustee.**

**(a)** In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, with (to the extent required by a Supplemental Indenture) the consent of each Credit Provider and each Reserve Financial Guaranty Provider, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of the Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Agency and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Owners of the Bonds as aforesaid, the Agency, by a duly executed written instrument signed by an Authorized Agency Representative shall forthwith appoint a Trustee to replace such resigning Trustee or to fill such vacancy until a successor Trustee shall be appointed by the Owners of the Bonds as authorized in this Section. Any successor Trustee appointed by the Agency shall, immediately and without further act, be superseded by the Trustee appointed by the Owners of the Bonds. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

**(b)** If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Agency written notice as provided in Section 8.07 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under Section 8.07) or the Owner of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) The Trustee appointed under the provisions of this Article or any successor to the Trustee shall be a bank or trust company organized under the laws of any state of the United States or national banking association, doing business and having its principal corporate trust office in New York, New York, or Chicago, Illinois, or Los Angeles, California, or San Francisco, California, duly authorized to exercise trust powers and subject to examination by federal or state authority. Each successor Trustee shall have capital stock and surplus aggregating at least $75,000,000, or have all of its obligations under the Indenture guaranteed by a bank or trust company organized under the laws of the United States, or any state thereof, with a capital stock and surplus or net worth of $75,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

**Section 8.10 Transfer of Rights and Property to Successor Trustee**. Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee and the Agency an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, power, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, at the written request of the Agency, or of the successor Trustee, execute, acknowledge, deliver, file and record such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Indenture or covered by the pledge of the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions in the Indenture set forth. Should any deed, conveyance or instrument in writing from the Agency be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such lien, estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Agency. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

**Section 8.11 Merger or Consolidation**. Any company into which a Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, shall satisfy the applicable standards of a successor set forth in the Indenture, and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

**Section 8.12 Adoption of Authentication.** In case any of the Bonds contemplated to be issued under the Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or provided in the Indenture that the certificate of the Trustee shall have.

**Section 8.13 Resignation or Removal of Paying Agent and Appointment of Successor.**

**(a)** Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days written notice to the Agency, the Trustee, each Credit Provider, each Reserve Financial Guaranty Provider and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Agency Representative. Any successor Paying Agent shall be appointed by the Agency with the approval of the Trustee (and each Credit Provider and each Reserve Financial Guaranty Provider required by a Supplemental Indenture) and shall be a commercial bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

**(b)** In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

## ARTICLE IX

## DEFEASANCE

**Section 9.01 Payment of Bonds.** If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of subsection (b) of this Section, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for hereunder and all covenants, agreements and

obligations of the Agency contained herein, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee hereunder free and clear of any liens or encumbrances hereon pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of this Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in Section 6.14 hereof and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 8.05 hereof relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under this Article, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

**Section 9.02 Bonds Deemed Paid.** Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in Section 9.01. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this Section shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in Section 9.01 (except that the obligations under the Indenture set forth in Section 9.01 (b) and the giving of the notices of the redemption of Bonds to be redeemed as provided in Article IV shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in Article IV, (2) there shall have been deposited with an Escrow Agent

either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this Section with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this Section with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this Section and notify the Owner of such Bond that such Bond must be surrendered as provided in Section 9.03. The receipt of any notice required by this Section shall not be a condition precedent to any Bond being deemed paid in accordance with this Section and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this Section. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this Section, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or

redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

**Section 9.03 Defeasance of Portion of Bond.** If there shall be deemed paid pursuant to Section 9.02 less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to Section 9.02 and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

**Section 9.04 Discharge of Liability on Bonds.** Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in Section 9.01 or Section 9.02, as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of Sections 6.14 and 9.02; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

## ARTICLE X
## EVENTS OF DEFAULT; REMEDIES

**Section 10.01 Events of Default.** Each of the following shall constitute an Event of Default under the Indenture:

**(i)** if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

**(ii)** if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of

other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit Provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within thirty (30) days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

**(iii)** an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

**Section 10.02 Accounting and Examination of Records After Default.**

**(a)** The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

**(b)** The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

**Section 10.03 Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.**

**(a)** Notwithstanding anything to the contrary contained in the Indenture, including Article V of this Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

**(b)** During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of subsection (b) of Section 2.08, to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of subsection (b) of Section 2.08, to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

**(c)** If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

**(d)** The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes hereof, including without limitation, payment of defaulted interest and giving direction to the Trustee.

**Section 10.04 Right to Accelerate Upon Default.** Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

**Section 10.05 Appointment of Receiver.** If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

**Section 10.06 Enforcement Proceedings.**

**(a)** If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support

Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

**(b)** All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

**(c)** Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

**(d)** Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

**(e)** If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

**Section 10.07 Restriction on Owner's Action.**

**(a)** Except as otherwise provided in paragraph (b) of this Section and subject to rights of the relevant Credit Provider to direct remedies as set forth herein or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the

execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of Section 11.05.

**(b)** Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

**Section 10.08 Remedies Not Exclusive.** No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of this Master 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.

**Section 10.09 Effect of Waiver and Other Circumstances.**

**(a)** No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

**(b)** The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless

the provisions of this subsection (b) have been satisfied with respect to such subsequent Event of Default.

**Section 10.10 Notice of Default.**

The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

## ARTICLE XI

## MISCELLANEOUS

**Section 11.01 Execution of Documents and Proof of Ownership.** Any request, direction, consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds shall be sufficient for any purpose of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

**(a)** The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be provided by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

**(b)** As to any Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner for all purposes. None of the Agency, the Trustee or any Paying Agent shall be affected by any notice to the contrary.

**(c)** Nothing contained in the Indenture shall be construed as limiting the Agency or the Trustee to such proof, it being intended that the Agency or the Trustee may accept any other evidence of the matters stated in this Section which the Agency or the Trustee may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect to anything done or suffered to be done by the Agency or the Trustee in pursuance of such request or consent.

**Section 11.02 Severability.** If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture, and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture and

the Bonds shall remain valid, and the Bondowners shall retain all valid rights and benefits accorded to them under the Indenture, the Law, and the Constitution and statutes of the State.

**Section 11.03 General Authorization.** The Authorized Agency Representatives, each acting singly, are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with the Indenture necessary or appropriate to carry the same into effect.

**Section 11.04 Moneys Held for Particular Bonds.** Except as otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the amounts held by the Trustee, any Paying Agent or any Escrow Agent for the payment of principal, premium if any, Purchase Price or interest due on any date with respect to particular Bonds of such Series shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto. None of the Agency, the Trustee, any Paying Agent or any Escrow Agent shall be liable to any Owner for interest on amounts so held in trust.

**Section 11.05 Credit Providers.** **(a)** Except as limited by Section 7.01(b), a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under this Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

**(b)** All provisions under this Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of this Master Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

**(c)** All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

**Section 11.06 Reserve Financial Guaranty Providers.** **(a)** All provisions under this Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (i) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (ii) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of this Master Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

**(b)** All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

**Section 11.07 No Recourse on Bonds.** Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under this Master Indenture, any Supplemental Indenture or any Bond.

**Section 11.08 Unclaimed Moneys.** Anything in this Master Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice,

which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

**Section 11.09 Holidays**. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in any Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in a Supplemental Indenture, no interest shall accrue for the period after such nominal date.

**Section 11.10 Governing Law**. The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Section 11.11 Headings Not Binding**. The headings in this Master Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Indenture.

**Section 11.12 Preservation and Inspection of Documents**. All documents received by the Trustee, any Paying Agent or any Escrow Agent under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection by the Agency, the Trustee, any Credit Provider and any Owner of an Outstanding Bond and their agents and their representatives, any of whom may make copies thereof.

**Section 11.13 Parties Interested**. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Agency, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers, the Owners of the Bonds and the providers and owners of other Parity Obligations, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers, the Owners of the Bonds and the providers and owners of other Parity Obligations.

IN WITNESS WHEREOF, the Richmond Community Redevelopment Agency has caused these presents to be signed in its name and on its behalf by its Executive Director and attested by its Secretary, and to evidence its acceptance of the trust hereby created, Union Bank of California, N.A. has caused these presents to be signed in its name and on its behalf by an authorized officer, in each case all as of the date first above written.

Attest:

Clerk

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By_____
Name: Steven Duran
Title: Executive Director

Union Bank of California, N.A., as Trustee

By_____
Authorized Officer

Lofton & Jennings
Attorneys at Law
225 Bush Street, 16th Floor
San Francisco, California 94104
Telephone: (415) 772-1900
Facsimile: (415) 772-1909

July 12, 2007

RBC Dain Rauscher, Inc.,
doing business under the trade name RBC Capital Markets
San Francisco, California

Re: Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (Reset Auction Mode Securities – RAMS™) and Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), 2007 Series B

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from the Richmond Community Redevelopment Agency (the "Redevelopment Agency") and the Richmond Joint Powers Financing Authority (the "Authority") of $65,400,000 aggregate principal amount of Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (Reset Auction Mode Securities – RAMS™) (the "2007 Series A Bonds"), pursuant to a Bond Purchase Agreement dated July 10, 2007 (the "2007 Series A Purchase Agreement"), by and among you, as the Underwriter, the Redevelopment Agency and the Authority, and in connection with your purchase from the Redevelopment Agency and the Authority of $9,772,621.50 principal amount of the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Taxable), 2007 Series B (the "2007 Series B Bonds"), pursuant to a Bond Purchase Agreement dated June 28, 2007 (the "2007 Series B Purchase Agreement"), by and among you, as the Underwriter, the Redevelopment Agency and the Authority. The 2007 Series A Bonds and the 2007 Series B Bonds are referred to together as the "Bonds" and the 2007 Series A Purchase Agreement and the 2007 Series B Purchase Agreement are referred to together as the "Purchase Agreements."

The 2007 Series A Bonds are issued pursuant to the provisions of an Indenture dated as of July 1, 2007 (the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of July 1, 2007 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Redevelopment Agency and Union Bank of California, N.A., as trustee (the "Trustee"). In connection with the issuance of the 2007 Series A Bonds, the Trustee entered into an Auction Agent Agreement dated as of July 1, 2007 (the "Auction Agent Agreement") with Wells Fargo Bank, N.A., as auction agent (the "Auction Agent") and the Redevelopment Agency, providing, among other things, the auction procedures the Auction Agent will follow for the 2007 Series A Bonds so long as they bear interest at an ARB Interest Rate (as defined in the Indenture). The Auction Agent entered

RAMS™ is a trademark of RBC Dain Rauscher, Inc.

into a Broker Dealer Agreement dated as of July 1, 2007 (the "Broker-Dealer Agreement") with RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as the broker-dealer, and acknowledged by the Redevelopment Agency for the purposes of conducting each Auction. The Auction Agent Agreement and the Broker-Dealer Agreement are referred to as the "Auction Agreements. The Redevelopment Agency also entered into an interest rate swap in connection with the 2007 Series A Bonds pursuant to an ISDA Master Agreement dated June 26, 2007, as supplemented by the schedule thereto dated June 26, 2007 and evidenced by the Confirmation dated June 26, 2007 (collectively, the "Swap Agreement"), each between the Redevelopment Agency and Royal Bank of Canada (the "Swap Provider").

The 2007 Series B Bonds are issued as capital appreciation bonds pursuant to the provisions of an Indenture dated as of July 1, 2007 (the "Master Housing Indenture"), as supplemented by a First Supplemental Indenture dated as of July 1, 2007 (the "Supplemental Housing Indenture" and together with the Master Housing Indenture, the "Housing Indenture"), each by and between the Redevelopment Agency and the Trustee.

The Bonds are each more fully described in the Official Statement relating dated June 28, 2007, as supplemented by the Supplement to the Official Statement dated July 11, 2007 (the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meanings given to such terms as set forth in each Purchase Agreement.

In our capacity as your counsel, we have rendered certain legal advice and assistance in connection with the preparation of the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, review of the Indenture and the Housing Indenture, the Auction Agreements, the Swap Agreement and the Continuing Disclosure Agreement, dated July 12, 2007 (the "Continuing Disclosure Agreement") between the Redevelopment Agency and Union Bank of California, N.A., as Dissemination Agent and Trustee; opinions of counsel to the Redevelopment Agency, the Authority, the Swap Provider, the Auction Agent, the Bond Insurer and of Orrick, Herrington & Sutcliffe LLP, Bond Counsel and Disclosure Counsel; certificates of the Redevelopment Agency, the Authority, the Swap Provider, the Auction Agent, the Bond Insurer and others; and participation in meetings and telephone conferences with, among others, representatives of the Redevelopment Agency, Bond Counsel and Disclosure Counsel, the Swap Provider and Tamalpais Advisors, Inc. as Financial Advisor to the Redevelopment Agency during which meetings and telephone conferences the contents of the Official Statement and related matters were discussed.

We are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We have not undertaken to verify independently, and have assumed, 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. Based on our participation in the above-referenced conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on our review of the records, documents, certificates and opinions herein mentioned, subject to the limitations on our role as underwriter's counsel, we advise you that no information came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Official Statement as of its date and as of the date hereof (except for the financial,

statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information regarding the Bond Insurer, the Insurance Policy, DTC and its book-entry system, and the information contained in Appendices included therein (except Appendix E), as to which we express no opinion or view) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We are also of the opinion that the Continuing Disclosure Agreement provides a suitable basis for you, as underwriter of the Bonds, in connection with the Offering (as defined in Rule 15c2-12 (the "Rule"), promulgated by the Securities Exchange Act of 1934, as amended), to make a reasonable determination as required by paragraph (b)(5) of the Rule.

We are admitted to the Bar in the State of California. Our opinion herein is limited to matters governed by the laws of the State of California and the federal securities law of the United States, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We are furnishing this letter to you in our capacity as your counsel. This letter is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person, firm or corporation for any purpose without our prior written consent. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not intended to, and may not, relied upon by owners of the Bonds.

Sincerely,

Sloan & Jennings

UNION BANK OF CALIFORNIA

July 12, 2007

Richmond Community Development Agency and
Richmond Joint Powers Financing Authority
Richmond, California

RBC Dain Rauscher, Inc.
San Francisco, California

MBIA Insurance Corporation
Armonk, New York

Re: Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) 2007 Series A

Ladies and Gentlemen:

I am a Vice President and Senior Counsel of Union Bank of California, N.A. (the "Trustee") and have acted as counsel on the Trustee's behalf, in connection with the execution and delivery by the Trustee of that certain Indenture, dated as of July 1, 2007 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Richmond Community Development Agency (the "Agency") and the Trustee and relating to the issuance of the above-captioned bonds (collectively the "Bonds").

In that connection I have reviewed the following: (i) the Indenture; (ii) that certain Auction Agent Agreement dated as of July 1, 2007 (the "Auction Agreement") between the Trustee and the auction agent named therein; (iii) the Articles of Association and Bylaws of the Trustee and resolutions of the Trustee with respect to signing authority; and (iv) such other records, documents, instruments and certificates of public officials and the Trustee, as I have deemed necessary for the purpose of rendering the opinions set forth herein.

In rendering this opinion, I have relied upon the facts and information obtained from the records of the Trustee, officers of the Trustee, and other sources believed by me to be reliable, and I have not undertaken to independently verify the accuracy of the factual matters represented, warranted, or certified in such documents. I have reviewed only copies of the documents, and I have assumed that such copies conform to the originals, which assumption I have not independently verified.

I have further assumed that each party to the Indenture and the Auction Agreement, other than the Trustee, has the power to enter into and perform its obligations thereunder, has duly

authorized, executed and delivered the Indenture and the Auction Agreement, and that the Indenture and the Auction Agreement each constitutes the legal, valid and binding obligation of each party thereto other than the Trustee.

Terms used herein which are defined in the Indenture shall have the respective meanings set forth therein unless otherwise defined herein. Based upon and subject to the foregoing, I am of the opinion that:

1. The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America having full power to enter into, accept and administer the trusts created under the Indenture and to execute and deliver and perform its obligations under the Indenture and the Auction Agreement;

2. The Trustee has duly authorized, executed and delivered the Indenture and the Auction Agreement, and the Indenture and the Auction Agreement constitute the legal, valid and binding obligations of the Trustee enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limited by the rights of creditors generally;

3. The Trustee has duly authenticated, registered and delivered the Bonds in accordance with the terms of the Indenture and the direction of the Agency;

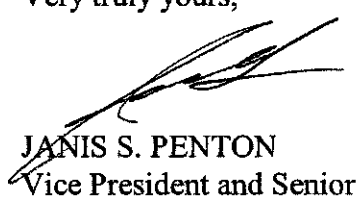
4. No authorization, approval, consent or other order of any governmental authority or agency having jurisdiction over the Trustee, or, to my knowledge after reasonable investigation, any other person or corporation, is required for the valid authorization, execution, delivery and performance by the Trustee of the Indenture or the Auction Agreement; and

5. The execution and delivery of the Indenture and the Auction Agreement, and compliance by the Trustee with the provisions thereof under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the Trustee a breach or default under any agreements or other instrument to which the Trustee is a party (and of which I am aware after reasonable investigation) or by which it is bound (and of which I am aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Trustee is subject.

I express no opinion as to any matter other than as expressly set forth above, and, in connection therewith, I specifically express no opinion as to the status of the Bonds or the interest thereon and further express no opinion regarding any federal securities laws, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and any state securities or "Blue Sky" law, or any federal, state or local tax law.

This opinion is as of the date hereof, and I have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein. Further, this opinion neither implies, not should it be viewed to imply, an approval or recommendation of any investment in any Bonds. I do not express my opinion as to the effect of any law other than the laws of California and the federal laws of the United States of America on the matters referred to herein. This opinion is furnished by me solely for your benefit and may not, without my express written consent, be relied upon by any other person.

Very truly yours,



JANIS S. PENTON
Vice President and Senior Counsel

16190

UNION BANK OF CALIFORNIA

July 12, 2007

Richmond Community Development Agency and
Richmond Joint Powers Financing Authority
Richmond, California

RBC Dain Rauscher, Inc.
San Francisco, California

MBIA Insurance Corporation
Armonk, New York

Re: Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Taxable) 2007 Series B

Ladies and Gentlemen:

I am a Vice President and Senior Counsel of Union Bank of California, N.A. (the "Trustee") and have acted as counsel on the Trustee's behalf, in connection with the execution and delivery by the Trustee of that certain Indenture, dated as of July 1, 2007 (the "Master Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the Richmond Community Development Agency (the "Agency") and the Trustee and relating to the issuance of the above-captioned bonds (collectively the "Bonds").

In that connection I have reviewed the following: (i) the Indenture; (ii) the Articles of Association and Bylaws of the Trustee and resolutions of the Trustee with respect to signing authority; and (iii) such other records, documents, instruments and certificates of public officials and the Trustee, as I have deemed necessary for the purpose of rendering the opinions set forth herein.

In rendering this opinion, I have relied upon the facts and information obtained from the records of the Trustee, officers of the Trustee, and other sources believed by me to be reliable, and I have not undertaken to independently verify the accuracy of the factual matters represented, warranted, or certified in such documents. I have reviewed only copies of the documents, and I have assumed that such copies conform to the originals, which assumption I have not independently verified.

I have further assumed that each party to the Indenture, other than the Trustee, has the power to enter into and perform its obligations thereunder, has duly authorized, executed and delivered the

Indenture, and that the Indenture constitutes the legal, valid and binding obligation of each party thereto other than the Trustee.

Terms used herein which are defined in the Indenture shall have the respective meanings set forth therein unless otherwise defined herein. Based upon and subject to the foregoing, I am of the opinion that:

1. The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America having full power to accept and administer the trusts created under the Indenture and to execute and deliver and perform its obligations under the Indenture;

2. The Trustee has duly authorized, executed and delivered the Indenture and the Indenture constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limited by the rights of creditors generally;

3. The Trustee has duly authenticated, registered and delivered the Bonds in accordance with the terms of the Indenture and the direction of the Agency;

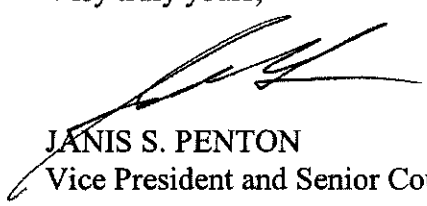
4. No authorization, approval, consent or other order of any governmental authority or agency having jurisdiction over the Trustee, or, to my knowledge after reasonable investigation, any other person or corporation, is required for the valid authorization, execution, delivery and performance by the Trustee of the Indenture; and

5. The execution and delivery of the Indenture, and compliance by the Trustee with the provisions thereof under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the Trustee a breach or default under any agreements or other instrument to which the Trustee is a party (and of which I am aware after reasonable investigation) or by which it is bound (and of which I am aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Trustee is subject.

I express no opinion as to any matter other than as expressly set forth above, and, in connection therewith, I specifically express no opinion as to the status of the Bonds or the interest thereon and further express no opinion regarding any federal securities laws, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and any state securities or "Blue Sky" law, or any federal, state or local tax law.

This opinion is as of the date hereof, and I have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein. Further, this opinion neither implies, not should it be viewed to imply, an approval or recommendation of any investment in any Bonds. I do not express my opinion as to the effect of any law other than the laws of California and the federal laws of the United States of America on the matters referred to herein. This opinion is furnished by me solely for your benefit and may not, without my express written consent, be relied upon by any other person.

Very truly yours,



JANIS S. PENTON
Vice President and Senior Counsel

16190

WELLS FARGO

**Law Department**
**Wells Fargo & Company**
**MAC N9305-172**
**Sixth and Marquette**
**Minneapolis, MN 55479**

July 12, 2007

To the Parties Listed on the Attached Schedule A

Re: Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Ladies and Gentlemen:

I am Senior Counsel of Wells Fargo & Company, the parent corporation of Wells Fargo Bank, National Association ("Wells Fargo"), and have been requested to provide this opinion on behalf of Wells Fargo in connection with: (i) the Auction Agreement (the "Auction Agreement"), dated as of July 1, 2007, by and between Union Bank of California, N.A., as trustee (the "Trustee") and Wells Fargo in its capacity as Auction Agent (the "Auction Agent"), relating to the above-captioned bonds (the "Bonds"), and (ii) the Broker-Dealer Agreement (the "Broker-Dealer Agreement"), dated as of July 1, 2007, by and among Wells Fargo, as Auction Agent, Richmond Community Redevelopment Agency (the "Agency"), and RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets. The Auction Agreement and the Broker-Dealer Agreement are hereinafter referred to as the "Agreements." Capitalized terms used herein and not otherwise defined herein will have the meanings assigned in the Agreements.

In connection with the foregoing, I have made such legal and factual examinations and inquiries as I have deemed necessary or advisable for the purpose of rendering this opinion. In rendering the following opinions, I have relied with your permission upon representations of the parties included in the Agreements delivered at the closing of the issuance and sale of the Bonds, upon certificates and representations of officers of Wells Fargo, and upon certificates of public officials.

I have also, with your permission, assumed without independent investigation or verification (a) the genuineness of all signatures (other than the signatures of Wells Fargo) to all documents and other papers, (b) the authenticity of all documents submitted to me as originals, (c) the conformity to original documents of all documents submitted to me as copies, (d) other than Wells Fargo's entry into the Agreements, each entity has the power to enter and perform all of its obligations thereunder, the due authorization for each such other entity of all requisite

action, the due execution and delivery of all documents by such other entity, and that each document is enforceable against each such other entity according to its terms, (e) there are no oral or written terms or conditions agreed to by Wells Fargo or any other party that would expand or modify respective rights and obligations of any of the parties or affect my opinions rendered herein, and (f) the legal capacity of all natural persons.

Based upon and subject to the foregoing and to such further limitations and qualifications stated below, it is my opinion that:

1. Wells Fargo is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, with trust powers, and has the corporate power and authority to carry on its business as presently conducted.

2. Wells Fargo has full power and authority to serve as Auction Agent as contemplated in the Agreements.

3. The Agreements have been duly authorized, executed and delivered by Wells Fargo, and constitute the legal, valid and binding obligations of Wells Fargo, enforceable against it in accordance with the respective terms thereof, subject to applicable bankruptcy, insolvency, moratorium, reorganization, arrangement and other similar laws affecting the rights of creditors generally or by the application of general principals of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

4. To the best of my knowledge, the execution, delivery, acceptance and performance of the Agreements by Wells Fargo and its acceptance and performance of its duties and obligations thereunder will not violate any provisions of any law or regulation governing the banking or trust powers of Wells Fargo or any order of any governmental authority having jurisdiction over Wells Fargo.

5. To the best of my knowledge, no authorization, approval, consent or other order of any court or of any governmental agency or regulatory authority having jurisdiction over the trust powers of Wells Fargo that has not been obtained is required for the valid authorization, execution and delivery by Wells Fargo of the Agreements or its acceptance and performance of the duties and obligations thereunder.

6. The execution, delivery and performance of the Agreements by Wells Fargo and the consummation of the transactions contemplated thereby do not and will not to my knowledge (a) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Wells Fargo is a party or by which Wells Fargo is bound or to which any of the property or assets of Wells Fargo or any of its subsidiaries is subject or (b) result in any violation of the provisions of the charter or By-laws of Wells Fargo or any statute or any order, rule or regulation of any court or

government agency or body having jurisdiction over Wells Fargo or any of its properties or assets.

7. To the best of my knowledge, there are no actions, suits, proceedings at law or in equity, or investigations pending or threatened against Wells Fargo before any court, administrative agency or tribunal (i) asserting the invalidity of the Agreements (ii) seeking to prevent the consummation of any of the transactions contemplated thereby or (iii) that might materially and adversely affect the creation, organization or existence of Wells Fargo, or the authority or ability of Wells Fargo to accept and perform its duties and obligations under the Agreements. For purposes of the foregoing, I have not regarded any actions, proceedings or investigations "threatened" unless the potential litigants or governmental authority has manifested to a member of the Wells Fargo & Company Law Department having responsibility for litigation matters involving the corporate trust activities of Wells Fargo present intention to initiate such proceedings.

I am admitted to practice in the State of Minnesota (the "State"), and do not purport to be qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States ("Federal") and the laws of the State. These opinions are limited to such State and Federal laws in effect as of the date hereof.

This opinion is being furnished to you solely for your benefit in connection with the execution and delivery of the Agreements. Except as specified herein, this opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose without my prior express written consent.

Sincerely,

Gordon J. Glaza
Senior Counsel
Wells Fargo & Company

Richmond CRA 2007A

## Schedule A

Richmond Community Redevelopment Agency

Union Bank of California, N.A.

RBC Dain Rauscher, Inc.

MBIA Corporation

KUTAK ROCK LLP

SUITE 1100
18201 VON KARMAN AVENUE
IRVINE, CALIFORNIA 92612-1077

949-417-0999
FACSIMILE 949-417-5394

www.kutakrock.com

ATLANTA
CHICAGO
DENVER
DES MOINES
FAYETTEVILLE
KANSAS CITY
LITTLE ROCK
LOS ANGELES
OKLAHOMA CITY
OMAHA
PASADENA
RICHMOND
SCOTTSDALE
WASHINGTON
WICHITA

July 12, 2007

Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, CA 94804

Union Bank of California, N.A.,
as trustee
350 California Street, 11th Floor
San Francisco, CA 94104

RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets, as underwriter
345 California Street, Suite 2800
San Francisco, CA 94104

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Richmond, California)
$65,400,000
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Ladies and Gentlemen:

We have acted as special counsel to the MBIA Insurance Corporation (the "Corporation") in connection with the issuance of Debt Service Reserve Surety Bond No. 498772 (the "Surety Bond") relating to the above-referenced financing.

We are familiar with and have examined a copy of the Surety Bond and such other relevant documents as we have deemed necessary.

Based upon the foregoing, we are of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Surety Bond under the laws of the State of New York.

2. The Surety Bond has been duly executed and is the valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Surety Bond may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Kutak Rock LLP

KUTAK ROCK LLP

SUITE 1100
18201 VON KARMAN AVENUE
IRVINE, CALIFORNIA 92612-1077

949-417-0999
FACSIMILE 949-417-5394

www.kutakrock.com

ATLANTA
CHICAGO
DENVER
DES MOINES
FAYETTEVILLE
KANSAS CITY
LITTLE ROCK
LOS ANGELES
OKLAHOMA CITY
OMAHA
PASADENA
RICHMOND
SCOTTSDALE
WASHINGTON
WICHITA

July 12, 2007

Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, CA 94804

Union Bank of California, N.A.,
as trustee
350 California Street, 11th Floor
San Francisco, CA 94104

RBC Dain Rauscher, Inc., doing business
under the trade name RBC Capital Markets,
as underwriter
345 California Street, Suite 2800
San Francisco, CA 94104

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
(Richmond, California)
$9,772,621.50
Housing Set-Aside
Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B

Ladies and Gentlemen:

We have acted as special counsel to the MBIA Insurance Corporation (the "Corporation") in connection with the issuance of Debt Service Reserve Surety Bond No. 498782 (the "Surety Bond") relating to the above-referenced financing.

We are familiar with and have examined a copy of the Surety Bond and such other relevant documents as we have deemed necessary.

Based upon the foregoing, we are of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Surety Bond under the laws of the State of New York.

2. The Surety Bond has been duly executed and is the valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Surety Bond may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Kutak Rock LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CA 94105-2669
tel 415-773-5700
fax 415-773-5759
WWW.ORRICK.COM

July 12, 2007

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $65,400,000 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an Indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other

matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and

ORRICK

credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

*tel* +1-415-773-5700
*fax* +1-415-773-5759

WWW.ORRICK.COM

July 12, 2007

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $9,772,621.50 aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Taxable) (Merged Project Areas), 2007 Series B (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an indenture of Trust, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture""), and as supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other

matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds

are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

*tel* +1-415-773-5700
*fax* +1-415-773-5759

WWW.ORRICK.COM

July 12, 2007

RBC Dain Rauscher, Inc.,
doing business under the trade name
RBC Capital Markets
San Francisco, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 10(d)(iii) of the Bond Purchase Agreement, dated July 10, 2007 (the "Purchase Contract"), among the Underwriter, the Richmond Community Redevelopment Agency (the "Agency") and the Richmond Joint Powers Financing Authority (the "Authority") providing for the purchase of $65,400,000 aggregate principal amount of the Agency's Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, as supplemental by a First Supplemental Indenture of Trust (together, the "Indenture"), each dated as of July 1, 2007, between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel to the Agency concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Agency. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the Agency, we have reviewed the Purchase Contract, the Indenture, the Bonds, the Tax Certificate, dated the date hereof (the "Tax Certificate"), the Continuing Disclosure Agreement, opinions of counsel to the Agency, the Authority, the City of Richmond (the "City") and the Trustee, certificates of the Agency, the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions and conclusions 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 or conclusions 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. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Tax Certificate, the Continuing Disclosure Agreement and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, penalty, contribution, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 28, 2007 as supplemented by the Supplement to Official Statement dated July 11, 2007 (collectively, the "Official Statement"), or other offering materials relating to the Bonds and express no opinion relating thereto except as expressly set forth in numbered paragraph 4, below.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended. No opinion is expressed with respect to the Bond Insurance Policy, the Reserve Fund Surety Bond, the Financial Guaranty Agreement or the Swap.

2. The Purchase Contract has been duly executed and delivered by the Agency and the Authority and is a valid and binding agreement of the Agency, enforceable in accordance with its terms.

3. The Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency.

4. The statements contained in the Official Statement under the captions "THE 2007A BONDS," "SECURITY FOR THE SERIES 2007A BONDS", and "TAX MATTERS," and in APPENDIX B - "SUMMARY OF THE NON-HOUSING INDENTURE", APPENDIX F – "PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS, and APPENDIX J – AUCTION PROCEDURES," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Bonds and the form and content of our Bond Opinion, are accurate in all material respects.

5. We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 4 above), completeness or fairness of any of the statements contained in the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. In our capacity as bond counsel in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the Issuer, Royal Bank of Canada (the "Swap Provider"), their respective counsel, fiscal consultants, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences, and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), subject to the limitations on our role as bond counsel, we advise you as a matter of fact and not opinion that no facts came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC, the Bond Insurer, the Bond Insurance Policy, the Reserve Fund Surety Bond, the Swap, the Swap Provider, and the information contained in Appendices A, D, G, H, I and K included or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity.

ORRICK

This letter is furnished by us as bond counsel to the Agency. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the Bonds, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by holders of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

*tel +1-415-773-5700*
*fax +1-415-773-5759*

WWW.ORRICK.COM

July 12, 2007

RBC Dain Rauscher, Inc.,
doing business under the trade name
RBC Capital Markets
San Francisco, California

Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 10(d)(iii) of the Bond Purchase Agreement, dated June 28, 2007 (the "Purchase Contract"), among the Underwriter, the Richmond Community Redevelopment Agency (the "Agency") and the Richmond Joint Powers Financing Authority (the "Authority") providing for the purchase of $9,772,621.50 aggregate amount of the Agency's Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, as supplemental by a First Supplemental Indenture of Trust (together, the "Indenture"), each dated as of July 1, 2007, between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel to the Agency concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Agency. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the Agency, we have reviewed the Purchase Contract, the Indenture, the Bonds, the Continuing Disclosure Agreement, opinions of counsel to the Agency, the Authority, the City of Richmond (the "City") and the Trustee, certificates of the Agency, the Authority, the Trustee and others, and such other documents,

opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions and conclusions 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 or conclusions 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. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Continuing Disclosure Agreement and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, penalty, contribution, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 28, 2007 as supplemented by the Supplement to Official Statement dated July 11, 2007 (collectively, the "Official Statement"), or other offering materials relating to the Bonds and express no opinion relating thereto except as expressly set forth in numbered paragraph 4, below.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended. No opinion is expressed with respect to the Bond Insurance Policy, the Reserve Fund Surety Bond or the Financial Guaranty Agreement.

2. The Purchase Contract has been duly executed and delivered by the Agency and the Authority and is a valid and binding agreement of the Agency, enforceable in accordance with its terms.

3. The Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency.

4. The statements contained in the Official Statement under the captions "THE 2007B BONDS," "SECURITY FOR THE SERIES 2007B BONDS", and "TAX MATTERS," and in APPENDIX C - "SUMMARY OF THE HOUSING INDENTURE" and in APPENDIX F – "PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Bonds and the form and content of our Bond Opinion, are accurate in all material respects.

5. We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 4 above), completeness or fairness of any of the statements contained in the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. In our capacity as bond counsel in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the Issuer, its counsel, fiscal consultants, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), subject to the limitations on our role as bond counsel, we advise you as a matter of fact and not opinion that no facts came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, DTC, the Bond Insurer, the Bond Insurance Policy, the Reserve Fund Surety Bond, and the information contained in Appendices A, D, G, H, I and K included or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is

ORRICK

undertaken or opinion rendered with respect to any other disclosure document, materials or activity.

This letter is furnished by us as bond counsel to the Agency. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the Bonds, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by holders of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

tel +1-415-773-5700
fax +1-415-773-5759

WWW.ORRICK.COM

July 12, 2007

MBIA Insurance Corporation
Armonk, New York

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Richmond Community Redevelopment Agency
Housing-Set Aside Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B

Ladies and Gentlemen:

In connection with the delivery of the above-referenced bonds (the "Bonds") we have delivered our final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the issuer of the Bonds.

You may rely on said opinion as though the same were addressed to you; provided, however, that we give no opinion with respect to the tax status of amounts, if any, that may be paid to you (by subrogation or otherwise) with respect to interest paid by you to the bondholders. No attorney-client relationship has existed or exists between the addressees of this letter and our firm in connection with the Bonds or by virtue of this letter.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669

tel +1-415-773-5700
fax +1-415-773-5759

WWW.ORRICK.COM

July 12, 2007

Union Bank of California, N.A.
San Francisco, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B

Ladies and Gentlemen:

In connection with the delivery of the above-referenced bonds (the "Bonds") we have delivered our final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the issuer of the Bonds.

You may rely on said opinion as though the same were addressed to you, as trustee, but solely for the benefit of, and as if you were one of, the holders of the Bonds. No attorney-client relationship has existed or exists between the addressee of this letter and our firm in connection with the Bonds or by virtue of this letter.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

## CLOSING MEMORANDUM

This memorandum summarizes the procedures to be followed in completing the issuance of Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds"), and the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable) 2007 Series B (the "Series 2007B Bonds" and together with the Series 2007A Bonds, the "Bonds").

## Place & Time

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105

*Pre-closing*: Wednesday, July 11, 2007, at 9:00 a.m.
10th Floor, Rome Conference Room

*Closing*: Thursday, July 12, 2007, at 8:00 a.m.

## Parties

Richmond Community Redevelopment Agency ("Agency");

Richmond Joint Powers Financing Authority ("Authority);

City of Richmond ("City");

RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets ("Underwriter" and "Broker-Dealer");

Union Bank of California, N.A. ("Trustee");

Wells Fargo Bank, N.A. ("Auction Agent");

MBIA Insurance Corporation ("Bond Insurer," "Swap Insurer" and "Surety Bond Provider");

Royal Bank of Canada ("Swap Provider");

Tamalpais Advisors, Inc. ("Financial Advisors");

Fraser & Associates (the "Fiscal Consultant");

Bond Logistix LLC ("Swap Advisor);

Orrick, Herrington & Sutcliffe LLP ("Bond Counsel" and/or "Disclosure Counsel");

Lofton & Jennings ("Underwriter's Counsel");

Goldfarb & Lipman ("Agency Counsel");

Louise Renne ("Interim City Attorney");

Gordon Glaza, Esq., Wells Fargo Bank, N.A. ("Auction Agent's Counsel");

Janis Penton, Senior Counsel, Union Bank of California, N.A. ("Trustee's Counsel");

Royal Bank of Canada ("In-house Swap Provider's Counsel"); and

Kutak Rock LLP ("Bond Insurer's Counsel and "Swap Insurer's Counsel").

## Part I

## PRE-CLOSING

### EXECUTED DOCUMENTS TO BE DEPOSITED WITH BOND COUNSEL

The documents listed on the Transcript of Proceedings attached hereto and incorporated herein by reference will be executed in advance of the Closing by the respective parties thereto and, except as otherwise indicated, six (6) signed copies or executed counterparts of each of the documents listed shall be deposited in escrow with Bond Counsel at the aforementioned place of Closing not later than 1:00 p.m., California time, on July 11, 2007. At that time and place, a pre-Closing conference will be held to confirm that all documents are on hand, in proper form and properly executed.

Unless otherwise specified, all documents will be dated the date of the Closing. Responsibility for preparing, assembling or delivering the documents is indicated in parentheticals.

## Part II

CLOSING

DISTRIBUTION OF DOCUMENTS AND FUNDS

All of the documents deposited pursuant to Part I hereof and all funds deposited as hereinafter set forth will be deemed to have been made in escrow until delivery of such documents and funds at the Closing has been made.

At the Closing, the following steps are to be taken concurrently:

(a) The Underwriter will pay to the Trustee immediately available funds in the amount of $64,349,500, the full and final payment of the net purchase price of the **Series 2007A Bonds** (representing the aggregate principal amount of $65,400,000, less an underwriter's discount of $490,500.00, less the bond insurance premium for the Series 2007A Bonds of $477,000.00 and less the surety bond premium of $83,000.00).

(b) The Underwriter will wire to the Trustee immediately available funds in the amount of $9,523,463.73, the full and final payment of the net purchase price of the **Series 2007B Bonds** (representing the aggregate principal amount of $9,772,621.50, less an underwriter's discount of $122,157.77, less the bond insurance premium for the Series 2007B Bonds of $109,000.00 and less the surety bond premium of $18,000.00).

(c) The Underwriter will wire transfer directly to the Bond Insurer the bond insurance premiums and surety bond premiums in the aggregate amount of $687,000, representing: (i) the insurance premium of $477,000 and surety bond premium of $83,000 with respect to the **Series 2007A Bonds**, and (ii) the insurance premium of $109,000 and surety bond premium of $18,000 with respect to the **Series 2007B Bonds**.

(d) The Trustee will release, and the Underwriters will receive, the Bonds (duly executed and authenticated) through the facilities of The Depository Trust Company in New York, New York by telephone.

(e) The Trustee will comply with the Written Order of the Agency regarding the proceeds of the Bonds and related matters.

# CLOSING MEMORANDUM

| | | |
|---|---|---|
| TO | Closing Contacts List | |
| FROM | Bob Williams | (415) 445-8674 |
| | Darryl Street | (213) 362-4115 |
| | Jason Kelly | (415) 445-8515 |
| | RBC Capital Markets | |
| DATE | July 11, 2007 | |
| **RE:** | **Closing Procedures for** | |
| | **$9,772,621.50** | |
| | **Richmond Community Redevelopment Agency** | |
| | **Housing Set-Aside Subordinate Tax Allocation Bonds** | |
| | **(Taxable) 2007 Series B** | |
| | RBC Deal Code | FN00013406 |

- **Closing Information**

| | |
|---|---|
| Pre-Closing Date & Time | Wed, Jul 11, 2007<br>Time 2 00 pm (Pacific) |
| Location | Orrick, Herrington & Sutcliffe LLP<br>The Orrick Building<br>Milan Conference Room, 10th Floor<br>405 Howard Street<br>San Francisco, CA 94105-2669<br>Attn John H Knox, Esq (415) 773-5626 |
| Closing Date & Time | Thu, Jul 12, 2007<br>8 00 a m (Pacific) |
| Bond Delivery Instructions | Book-Entry-Only<br>Depository Trust Company<br>55 Water Street<br>New York, NY 10041<br>Acct # 235 RBC Dain Rauscher Inc |

- **Proceeds Calculation**

| | Total |
|---|---|
| Par Amount | 9,772,621 50 |
| Less Original Issue Discount | - |
| Gross Proceeds | 9,772,621 50 |
| Gross Proceeds | 9,772,621 50 |
| less Underwriter's Discount | (122,157 77) |
| **Total Purchase Price:** | **9,650,463.73** |

## Closing Wires & Designation of Funds

- **Summary Sources and Uses**

| | | Total |
|---|---|---|
| Sources | Series 2007A Par Amount | 9,772,621 50 |
| Less | Original Issue Discount | - |
| | | **9,772,621.50** |
| Uses | Deposit to Project Construction Fund | 7,620,000 00 |
| | Prepayment of CalHFA loan due FY 2009-10 | 1,797,155 00 |
| | Bond Insurance Premium | 109,000 00 |
| | Reserve Fund Surety Premium | 18,000 00 |
| | Costs of Issuance | 106,308 73 |
| | Underwriter's Discount | 122,157 77 |
| | **Total Uses** | **9,772,621.50** |

- **The following funds transfers must take place on Thursday, July 12th, 2007, prior to closing.**

1 RBC Capital Markets will wire Underwritten Bond Net Proceeds to Trustee (less insurance and surety premiums) **$9,523,463.73**

| | |
|---|---|
| Bank | Union Bank of California<br>Monterey Park, CA 91755 |
| ABA # | 122000496 |
| Account # | 37130196431TRUSDG |
| FFC | 6711823000 Richmond RDA 2007 B |
| Attn | James Myers, (415) 273-2519 |

2 RBC Capital Markets will wire bond insurance and surety premiums to MBIA **$127,000.00**

| | |
|---|---|
| Bank | JP Morgan Chase Bank<br>New York, NY |
| ABA # | 021000021 |
| Account # | 910-2-721728 |
| Bond Insurance Policy # | 498781 |
| Reserve Fund Surety Policy # | 498782 |
| Attn | Ian Petrillo, (914) 765-3931 |

**Total wires made by RBC Capital Markets:** **$9,650,463.73**

- **Upon verification of funds transfer, call DTC to close the financing.**
  **The parties to be on the call are: Underwriter, Bond/Disclosure Counsel and the Trustee.**

- **Closing Contacts**

| | Contact | Phone | Email |
|---|---|---|---|
| **Issuer** | James Goins | (510) 620-6946 | james_goins@ci.richmond.ca.us |
| | Susan Segovia | (510) 307-8022 | susan_segovia@ci.richmond.ca.us |
| | Steve Duran | (510) 231-3066 | steve_duran@ci.richmond.ca.us |
| **Bond/Disclosure Counsel** | John H Knox, Esq | (415) 773-5626 | jknox@orrick.com |
| | Eugene Clark-Herrera, Esq | (415) 773-5911 | ech@orrick.com |
| | Aimee Buckland, Esq | (415) 773-5457 | abuckland@orrick.com |
| | Patricia Wyler | (415) 773-5912 | pwyler@orrick.com |
| **Trustee** | James Myers | (415) 273-2519 | james.myers@uboc.com |
| **Underwriter - Banking** | Bob Williams | (415) 445-8674 | bob.williams@rbccm.com |
| | Darryl Street | (213) 362-4115 | darryl.street@rbccm.com |
| | Jason Kelly | (415) 445-8515 | jason.kelly@rbccm.com |
| **Underwriter - Closing Coordinator** | Beth Maloney | (312) 559-1602 | beth.maloney@rbcdain.com |
| **Bond Insurer** | Ian Petrillo | (914) 765-3931 | ian.petrillo@mbia.com |
| **DTC (Closing)** | Closing | (212) 855-3752/ (516) 227-4200 | |

**$9,772,622**
**Richmond Community Redevelopment Agency**
**Housing Set-Aside Subordinate Tax Allocation Bonds**
**(Taxable) 2007 Series B**

**Estimated Cost of Issuance**

| Item | Payee | Amount |
|---|---|---|
| Bond/Disclosure Counsel | Orrick, Herrington & Sutcliffe | 80,000.00 |
| Financial Advisor | Tamalpais Advisors, Inc. | 7,800.00 |
| Rating Agency | Standard & Poor's | 6,200.00 |
| MBIA Bank Counsel | Kutak Rock LLP | 5,000.00 |
| Printing | Imagemaster - MuniOS | 1,000.00 |
| Trustee | Union Bank of California | 2,000.00 |
| Miscellaneous & Contingency | | 4,308.73 |
| **Total Costs** | | **$106,308.73** |

# RICHMOND COMMUNITY REDEVELOPMENT AGENCY
# SUBORDINATE TAX ALLOCATION BONDS
# (MERGED PROJECT AREAS) SERIES 2007

Interested Parties List
as of 7/12/07

## ISSUER

**City of Richmond**
Richmond City Hall
1401 Marina Way South
P.O. Box 4046
Richmond, CA 94804-3746
FAX: (510) 620-6542

Theresa Austin
Finance Office Assistant
Email: theresa_austin@ci.richmond.ca.us
PHONE: (510) 620-6891
FAX: (510) 620-6522

Steven Duran
RCRA Director
Email: steve_duran@ci.richmond.ca.us
PHONE: (510) 231-3066
FAX: (510) 307-8195

James Goins
Finance Director
Email: james_goins@ci.richmond.ca.us
PHONE: (510) 620-6946
FAX: (510) 620-6522

Everett Jenkins
Email: everett_jenkins@ci.richmond.ca.us
PHONE: (510) 620-6518
FAX: (510) 620-6709

Bill Lindsay
City Manager
Email: bill_lindsay@ci.richmond.ca.us
PHONE: (510) 620-6512

Nickie Mastay
RCRA Finance Manager
Email: nickie_mastay@ci.richmond.ca.us
PHONE: (510) 307-8010
FAX: (510) 307-8149

Carlos Privat
City Attorney's Office
Email: carlos_privat@ci.richmond.ca.us
PHONE: (510) 620-6509
FAX: (510) 620-6518

Mary Renfro
Email: mary_renfro@ci.richmond.ca.us
PHONE: (510) 620-6504
FAX: (510) 620-6518

Susan Segovia
Debt Analyst
Email: susan_segovia@ci.richmond.ca.us
PHONE: (510) 307-8022
FAX: (510) 620-6522

Alan Wolken
Deputy Director of Redevelopment
Email: alan_wolken@ci.richmond.ca.us
PHONE: (510) 307-8137
FAX: (510) 307-8149

## REDEVELOPMENT AGENCY COUNSEL

**Goldfarb & Lipman LLP**
1300 Clay Street
9th Floor
Oakland, CA 94612

Lynn Hutchins
Email: lhutchins@goldfarblipman.com
PHONE: (510) 836-6336

## BOND, DISCLOSURE AND TAX COUNSEL

**Orrick, Herrington & Sutcliffe LLP**
The Orrick Building
405 Howard Street
San Francisco, CA 94105-2669
PHONE: (415) 773-5700
FAX: (415) 773-5759
(www.orrick.com)

Patricia E. Wyler
Project Manager
Email: pwyler@orrick.com
PHONE: (415) 773-5912

Aimee Buckland
Email: abuckland@orrick.com
PHONE: (415) 773-5457

Chas Cardall
Email: ccardall@orrick.com
PHONE: (415) 773-5449

Eugene Clark-Herrera
Email: ech@orrick.com
PHONE: (415) 773-5911

John H. Knox
Email: jknox@orrick.com
PHONE: (415) 773-5626

## UNDERWRITER'S COUNSEL

**Lofton & Jennings**
225 Bush Street
San Francisco, CA 94105
FAX: (415) 772-1909

Bill Lofton
Email: blofton@loftonjennings.com
PHONE: (415) 394-8296

Jacquelynne Jennings
Email: jjennings@loftonjennings.com
PHONE: (415) 394-8294

## SWAP PROVIDER

**Royal Bank of Canada**
Royal Bank Plaza
200 Bay Street
10th Floor, North Tower
Toronto, Ontario M5J 2W7
FAX: (416) 842-4302

Caterina Furlano
Email: caterina.furlano@rbccm.com
PHONE: (416) 842-5073

**Royal Bank of Canada**
1200 17th Street
Suite 2200
Denver, Colorado 80202-5822
FAX: (303) 595-1220

Jeff Lindquist
Email: : jeff.lindquist@rbcdain.com
PHONE: (303) 595-1205

## UNDERWRITER

**RBC Capital Markets**
345 California Street
Suite 2800
San Francisco, CA 94104
FAX: (415) 445-8679

Jason Kelly
Email: jason.kelly@rbccm.com
PHONE: (415) 445-8515

Robert Williams
Managing Director
Email: bob.williams@rbccm.com
PHONE: (415) 445-8674

**RBC Capital Markets**
1211 Avenue of the Americas
Suite 3201
New York, NY 10036-8705
FAX: (212) 703-6383

Craig Laraia
Email: craig.laraia@rbccm.com
PHONE: (212) 703-6233

**RBC Capital Markets** FAX: (213) 362-4110
777 South Figueroa Street
Suite 850
Los Angeles, CA 90017

Darryl Street PHONE: (213) 362-4115
Email: darryl.street@rbccm.com

**RBC Capital Markets** FAX: (312) 559-1792
500 W. Madison Street
Suite 2500
Chicago, IL 60661-2573

David Detmer PHONE: (312) 559-1678
Email: david.detmer@rbccm.com

Joshua Shneyderov PHONE: (312) 559-1663
Email: joshua.shneyderov@rbccm.com

## SWAP ADVISOR

**Bond Logistix LLC**
The Orrick Building
405 Howard Street
San Francisco, CA 94105-2669

George Majors (New York Office) PHONE: (212) 506-5200
Email: gmajors@bondlogistix.com FAX: (212) 506-5151

## FINANCIAL ADVISOR

**Tamalpais Advisors, Inc.** PHONE: (415) 331-4473
3030 Bridgeway FAX: (415) 331-4479
Suite 340
Sausalito, CA 94965

Ruthann Soley
Associate
Email: rsoley@tamadvisors.com

Jean Buckley
Email: jbuckley@tamadvisors.com

## FISCAL CONSULTANT

**Fraser & Associates** FAX: (916) 791-9234
1609 Old Hart Ranch Road
Roseville, CA 95661

Don Fraser PHONE: (916) 791-8958
Email: dfraser@surewest.net

## TRUSTEE

**Union Bank of California, N.A.** FAX: (415) 273-2492
350 California Street
11th Floor
San Francisco, CA 94104

James Myers PHONE: (415) 273-2519
Email: james.myers@uboc.com

## TRUSTEE'S COUNSEL

**Union Bank of California, N.A.** FAX: (213) 236-7575
445 S. Figueroa Street
Suite 1203
Los Angeles, CA 90071-1602

Janis Penton, Senior Counsel PHONE: (213) 236-5454
Email: janis.penton@uboc.com

## BOND INSURER

**MBIA Insurance Corporation** FAX: (914) 765-3161 or 3162
113 King Street
Armonk, New York 10504

Sandra R. Lisanti, Associate PHONE: (914) 765-3651
(Documentation and Closing Department)
Email: sandra.lisanti@mbia.com

Tim McKeon PHONE: (914) 765-3747
Email: tim.mckeon@mbia.com

**MBIA Insurance Corporation** FAX: 415) 352-1842
150 California Street, 20th Floor
San Francisco, California 94111

Andres Porges PHONE: (415) 352-3068
Email: Andrew.porges@mbia.com

Jason Kissane PHONE: (415) 352-3052
Email: Jason.kissane@mbia.com

## RATING AGENCY

**Standard and Poor's** FAX: (415) 371-5062
Public Finance Ratings
One Market Plaza
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000

Paul Dyson PHONE: (415) 371-5079
Associate
Email: paul_dyson@sandp.com

Gabe Petek PHONE: (415) 371-5072
Associate
Email: gabriel_petek@sandp.com

## AUCTION AGENT

**Wells Fargo Bank, N.A.**
Auction Agent Services
45 Broadway, 14 Floor
New York, New York 10006

Lisa D'Angelo, Vice President PHONE: (212) 515-5261
Email: lisa.dangelo@wellsfargo.com FAX: (212) 509-1716

Matthew Sherman, Vice President PHONE: (212) 515-1573
Email: matthew.sherman@wellsfargo.com FAX: (212) 509-1716

Donny Tong, AssistantVice President PHONE: (212) 515-5276
Email: donny.tong@wellsfargo.com FAX: (212) 509-1716

## AUCTION AGENT'S COUNSEL

**Wells Fargo Bank, N.A.**
MAC N9305-172
17TH Floor
90 South 7th Street
Minneapolis, Minnosota 55402-3903

Gordon Glaza, Esq.
Email: gordon.j.glaza@wellsfargo.com

PHONE: (612) 667-0628
FAX: (612) 316-0805

## SWAP PROVIDER'S COUNSEL

**Kutak Rock LLP**
18201 Von Karman, Suite 1100
Irvine, California 92612-1077

PHONE: (949) 417-0999

Richard F. Britschgi, Esq.
Email: Richard.britschgi@kutakrock.com

PHONE: (949) 417-0987
FAX: (949) 417-5394

theresa_austin@ci.richmond.ca.us; steve_duran@ci.richmond.ca.us;
james_goins@ci.richmond.ca.us; everett_jenkins@ci.richmond.ca.us;
bill_lindsay@ci.richmond.ca.us; nickie_mastay@ci.richmond.ca.us; carlos_privat@ci.richmond.ca.us;
mary_renfro@ci.richmond.ca.us; susan_segovia@ci.richmond.ca.us;
alan_wolken@ci.richmond.ca.us; lhutchins@goldfarblipman.com; abuckland@orrick.com;
ccardall@orrick.com; ech@orrick.com; jknox@orrick.com; pwyler@orrick.com;
blofton@loftonjennings.com; jjennings@loftonjennings.com; caterina.furlano@rbccm.com;
jason.kelly@rbccm.com; bob.williams@rbccm.com; craig.laraia@rbccm.com;
jeff.lindquist@rbcdain.com; darryl.street@rbccm.com; david.detmer@rbccm.com;
joshua.shneyderov@rbccm.com; gmajors@bondlogistix.com; kdieker@delrioadvisors.com;
jbuckley@tamadvisors.com; rsoley@tamadvisors.com; dfraser@surewest.net;
james.myers@uboc.com; janis.penton@uboc.com; paul_dyson@sandp.com;
gabriel_petek@sandp.com; sandra.lisanti@mbia.com; lisa.dangelo@wellsfargo.com;
matthew.sherman@wellsfargo.com; donny.tong@wellsfargo.com; gordon.j.glaza@wellsfargo.com;
Richard.britschgi@kutakrock.com;

Execution Copy

# FIRST SUPPLEMENTAL INDENTURE OF TRUST

between

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
and
UNION BANK OF CALIFORNIA, N.A., as Trustee

Relating to

Richmond Community Redevelopment Agency
Housing Set-Aside Subordinate Tax Allocation Bonds
(Merged Project Areas),
(Taxable) 2007 Series B

Dated as of July 1, 2007

# FIRST SUPPLEMENTAL INDENTURE OF TRUST

**THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST**, dated as of July 1, 2007, is entered into by and between the Richmond Community Redevelopment Agency (the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, and Union Bank of California, N.A., as trustee (the "Trustee"), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character set forth in the Indenture;

**W I T N E S S E T H :**

**WHEREAS**, the Agency has entered into the Indenture of Trust, dated as of July 1, 2007 (the "Master Indenture") by and between the Agency and the Trustee to provide for the issuance from time to time by the Agency of Bonds to finance costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan and to refund Outstanding Parity Obligations (capitalized terms used herein shall have the meanings given such terms pursuant to Section 1.03); and

**WHEREAS**, the Master Indenture authorizes the Agency and the Trustee to enter into Supplemental Indentures to provide for the issuance of Bonds; and

**WHEREAS**, the Agency desires to issue $9,772,621.50 aggregate principal amount of its 2007 Series B Bonds in order to finance low and moderate income housing within or of benefit to the Project, fund reserves and pay certain costs in connection with the issuance of the 2007 Series B Bonds; and

**WHEREAS**, the Agency has determined that all acts and things have been done and performed which are necessary to make the Indenture, as supplemented by this First Supplemental Indenture, a valid and binding agreement for the security of the 2007 Series B Bonds authenticated and delivered hereunder;

**NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:**

That, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Master Indenture, the mutual covenants herein contained and the purchase and acceptance of the 2007 Series B Bonds by the Owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of, Redemption Price, if any, and interest on the 2007 Series B Bonds according to their tenor and effect, and the performance and observance by the Agency of all the covenants and conditions in the Indenture and in the 2007 Series B Bonds contained on its part to be performed, it is agreed by and between the Agency and the Trustee as follows:

## ARTICLE I

## AUTHORITY AND DEFINITIONS

**Section 1.01. Supplemental Indenture of Trust.** This First Supplemental Indenture is supplemental to the Master Indenture.

**Section 1.02. Authority for the First Supplemental Indenture of Trust.** This First Supplemental Indenture is entered into **(a)** pursuant to the Law and the Redevelopment Plan and **(b)** in accordance with Article II and Article VII of the Master Indenture.

**Section 1.03. Definitions.**

**(a)** Except as otherwise defined by this First Supplemental Indenture, all terms which are defined in Section 1.01 of the Master Indenture shall have the same meanings, respectively, in this First Supplemental Indenture as such terms are given in said Section 1.01 of the Master Indenture.

**(b) Additional Definitions.** The following terms shall, with respect to the 2007 Series B Bonds and for all purposes of this First Supplemental Indenture, have the meanings set forth below:

"Authorized Denominations" means, with respect to the 2007 Series B Bonds, $5,000 principal amount, or $5,000 Maturity Value for any 2007 Series B Bonds issued as Capital Appreciation Obligations, and any integral multiple thereof; provided that the first numbered 2007 Series B Bond issued as a Capital Appreciation Obligation may be issued in a denomination such that the Maturity Value of such Bond shall not be in an integral multiple of $5,000.

"Dated Date" means, with respect to the 2007 Series B Bonds, July 12, 2007.

"Denominational Amount" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the initial principal amount thereof as of the Dated Date, as set forth in Section 2.02(c) hereof.

"First Supplemental Indenture" means this First Supplemental Indenture of Trust, supplementing the Master Indenture, as the same may be amended and supplemented.

"Interest Payment Date" or "Interest Date" means , with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

"Maturity Value" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the value of such 2007 Series B Bond at its maturity, as set forth in Section 2.02(c) hereof.

"2007 Series B Bond Insurance Policy" means the financial guaranty insurance policy issued by 2007 Series B Bond Insurer insuring the payment when due of the principal of and interest on the 2007 Series B Bonds as provided therein.

"2007 Series B Bond Insurer" means MBIA Insurance Corporation, a New York stock insurance company, or its successors and assigns.

"2007 Series B Bonds" means the Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds, (Taxable) 2007 Series B, authorized by Article II hereof.

"2007 Series B Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of July 1, 2007, by and among the Agency, the Trustee and MuniFinancial, as dissemination agent, relating to the 2007 Series B Bonds, as the same may be amended and supplemented.

"2007 Series B Costs of Issuance Fund" means the 2007 Series B Costs of Issuance Fund established pursuant to Section 2.04 of this First Supplemental Indenture.

"2007 Series B Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series B Coverage Reserve Subaccount pursuant to Section 2.06 of this First Supplemental Indenture.

"2007 Series B Coverage Reserve Subaccount" means the account by that name established within the Reserve Account pursuant to Section 2.06 of this First Supplemental Indenture."

"2007 Series B Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least one hundred percent (100%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by this section, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the

most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in Section 7.03), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"2007 Series B Project Fund" means the 2007 Series B Project Fund established pursuant to Section 2.05 of this First Supplemental Indenture.

"2007 Series B Surety Bond" means the surety bond issued by the 2007 Series B Bond Insurer in satisfaction of the Debt Service Reserve Requirement. The 2007 Series B Surety Bond is a Reserve Financial Guaranty under the Master Indenture.

"Yield to Maturity" means the rate of interest applied to the Denominational Amount of any 2007 Series B Bond issued as a Capital Appreciation Obligation for purposes of the calculations set forth in Section 2.02(d) hereof. The Yield to Maturity for each maturity of 2007 Series B Bonds shall be as set forth in Section 2.02(c) hereof.

**Section 1.04. Interpretation.**

**(a)** Unless the context otherwise indicates, defined terms shall include all variants thereof, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

**(b)** Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

**(c)** References herein to the Securities Depository shall include both the Securities Depository and any nominee of the Securities Depository in whose name the 2007 Series B Bonds may be registered.

**(d)** Unless otherwise indicated, references herein to Articles and Sections shall be to the Articles and Sections of this First Supplemental Indenture. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this First Supplemental Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

## THE 2007 SERIES B BONDS

**Section 2.01. Principal Amount and Designation; Conditions to Issuance.** **(a)** Pursuant to the provisions of the Master Indenture and this First Supplemental Indenture and the provisions of the Law and the Redevelopment Plan, a Series of Bonds entitled to the benefit, protection and security of such provisions are hereby authorized in the aggregate Denominational Amount of $9,772,621.50. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Richmond Community Redevelopment Agency Housing Set Aside Subordinate Aside Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B." The 2007 Series B Bonds shall be in substantially the form attached hereto as Exhibit A with such variations and omissions as are necessary to reflect the particular terms of each 2007 Series B Bond.

**(b)** The 2007 Series B Bonds are issued for the purpose of financing low and moderate income housing within or of benefit to the Project and to pay certain costs in connection with the issuance of the 2007 Series B Bonds.

**(c)** All (but not less than all) of the 2007 Series B Bonds shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order but only upon receipt by the Trustee of the items required pursuant to Section 2.04 and Section 2.07 of the Master Indenture with respect to the 2007 Series B Bonds.

**Section 2.02. Terms of the 2007 Series B Bonds.** **(a)** The 2007 Series B Bonds shall be issued as fully registered Bonds without coupons in Authorized Denominations. The 2007 Series B Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, the initial Securities Depository, and shall be evidenced by one bond certificate for each maturity of the 2007 Series B Bonds in the total aggregate Denominational Amount and applicable Maturity Value of the 2007 Series B Bonds of such maturity. Registered ownership of the 2007 Series B Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 3.04 of the Master Indenture.

**(b)** The 2007 Series B Bonds shall be dated the Dated Date.

**(c)** The 2007 Series B Bonds shall mature on September 1 in the following years at the following Maturity Values increasing in value from the stated Denominational Amounts from the Dated Date to the stated Maturity Values at maturity at the following Yields to Maturity:

| Maturity (September 1) | Initial Principal (Denominational) Amount | Maturity Value | Yield to Maturity Value |
|---|---|---|---|
| 2008 | $436,862.85 | $465,000 | 5.57% |
| 2009 | 475,261.90 | 535,000 | 5.62 |
| 2010 | 486,272.00 | 580,000 | 5.70 |
| 2011 | 494,962.50 | 625,000 | 5.72 |
| 2012 | 503,482.50 | 675,000 | 5.79 |
| 2013 | 508,341.00 | 725,000 | 5.87 |
| 2017 | 514,549.20 | 935,000 | 5.98 |
| 2018 | 510,869.70 | 990,000 | 6.03 |
| 2019 | 504,524.80 | 1,040,000 | 6.05 |
| 2020 | 643,442.95 | 1,415,000 | 6.09 |
| 2021 | 438,677.00 | 1,030,000 | 6.13 |
| 2022 | 432,481.00 | 1,085,000 | 6.17 |
| 2023 | 427,474.30 | 1,145,000 | 6.20 |
| 2024 | 412,695.25 | 1,175,000 | 6.20 |
| 2025 | 405,703.20 | 1,230,000 | 6.21 |
| 2026 | 397,964.50 | 1,285,000 | 6.22 |
| 2027 | 587,274.60 | 2,020,000 | 6.23 |
| 2028 | 226,482.10 | 830,000 | 6.24 |
| 2029 | 212,073.30 | 830,000 | 6.26 |
| 2030 | 199,698.60 | 835,000 | 6.28 |
| 2031 | 186,847.95 | 835,000 | 6.30 |
| 2032 | 174,757.15 | 835,000 | 6.32 |
| 2033 | 163,384.45 | 835,000 | 6.34 |
| 2034 | 152,688.10 | 835,000 | 6.36 |
| 2035 | 142,643.05 | 835,000 | 6.38 |
| 2036 | 133,207.55 | 835,000 | 6.40 |
| TOTAL | $9,772,621.50 | $24,460,000 | |

**(d)** The 2007 Series B Bonds shall be issued as Capital Appreciation Obligations and shall not bear current interest. Each 2007 Series B Bond shall increase in value by the accumulation of earned interest from its Denominational Amount on the Dated Date thereof to its stated Maturity Value at maturity thereof at a compounded interest rate per annum (the "Yield to Maturity") as set forth in Section 2.02(c) hereof, assuming in any semiannual period that the value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months. The interest on the 2007 Series B Bonds shall be compounded on March 1 and September 1 in each year, commencing September 1, 2007 (each an "Interest Date"), and shall be payable only upon maturity.

The Accreted Value per $5,000 Maturity Value of the 2007 Series B Bonds on each Interest Date is set forth in the Table of Accreted Values attached hereto as Exhibit C

(which Table of Accreted Values shall appear in each 2007 Series B Bond); provided, that any accreted value determined in accordance with the this Section 2.02(d) shall prevail over any accreted values given in the Table of Accreted Values. The Accreted Value of any 2007 Series B Bond on its maturity date shall be its Maturity Value. Interest on the 2007 Series B Bonds shall be payable only upon maturity.

**Section 2.03. Application of Proceeds of 2007 Series B Bonds.** In accordance with Section 2.04 of the Master Indenture, the proceeds, including accrued interest, of the sale (less underwriter's discount in the amount of $122,157.77 less the insurance premium of $109,000.00 and the surety premium of $18,000 wired directly to the 2007 Series B Bond Insurance Provider on behalf of the Agency at Closing) of the 2007 Series B Bonds shall be applied simultaneously with the delivery of the 2007 Series B Bonds, as follows:

**(a)** There shall be deposited in the 2007 Series B Costs of Issuance Fund the sum of $105,000; and

**(b)** The remaining balance of the proceeds of the sale of the 2007 Series B Bonds, in the amount of $9,418,463.73, shall be deposited in the 2007 Series B Project Fund.

**Section 2.04. 2007 Series B Costs of Issuance Fund.**

**(a)** The Trustee shall establish and maintain in trust a separate fund designated as the "2007 Series B Costs of Issuance Fund." Money deposited in said fund shall be used to pay Costs of Issuance with respect to the 2007 Series B Bonds as provided in this Section.

**(b)** The Trustee shall make payments from the 2007 Series B Costs of Issuance Fund, except payments and withdrawals pursuant to subsection (e) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2007 Series B Costs of Issuance Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized Agency Representative. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated amount is a proper charge against the 2007 Series B Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid as a Costs of Issuance of the 2007 Series B Bonds. The Trustee shall promptly issue its check to the Agency or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer, interbank transfer or other method arrange to promptly make each payment required by such requisition. The Agency shall apply, or cause to be applied, all such moneys received from the 2007 Series B Costs of Issuance Fund to the payment of the Costs of Issuance of the 2007 Series B Bonds identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of

each such requisition, signed by an Authorized Agency Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

**(c)** Upon the receipt by the Trustee of a certificate of an Authorized Agency Representative requesting the Trustee to close the 2007 Series B Costs of Issuance Fund, and after payment from the 2007 Series B Costs of Issuance Fund of all amounts included in requisitions submitted by the Agency pursuant to Section 5.02(b) hereof, the Trustee shall transfer any moneys remaining in the 2007 Series B Costs of Issuance Fund to such account or accounts in the Special Fund as directed by an Authorized Agency Representative. Upon such transfer the Trustee shall close the 2007 Series B Costs of Issuance Fund.

**(d)** Moneys held in the 2007 Series B Costs of Issuance Fund may be invested and reinvested to the fullest extent practicable in any investment in which the Agency can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2007 Series B Costs of Issuance Fund. Any investment earnings on moneys on deposit in the 2007 Series B Costs of Issuance Fund shall be deposited in the 2007 Series B Costs of Issuance Fund and be used in the same manner as other amounts on deposit in the 2007 Series B Costs of Issuance Fund.

**(e)** Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the 2007 Series B Costs of Issuance Fund shall be applied to the payment of Bond debt service when due.

**Section 2.05. 2007 Series B Project Fund.**

**(a)** The Trustee shall establish and maintain in trust a separate fund designated as the "2007 Series B Project Fund." Money deposited in said fund shall be used to pay Costs of the Project as provided in this Section.

**(b)** The Trustee shall make payments from the 2007 Series B Project Fund, except payments and withdrawals pursuant to subsection (e) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2007 Series B Project Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized Agency Representative substantially in the form of Exhibit B hereto. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the Cost of the Project to be paid and that such payment in the stated amount is a proper charge against the 2007 Series B Project Fund and that no part of such payment shall be applied to any item which has previously been paid as a Cost of the Project. The Trustee shall promptly issue its check to the Agency or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer interbank transfer or other method arrange to promptly make each payment required by such requisition. The Agency shall apply, or cause to be applied, all such moneys received by it from the 2007 Series B Project Fund to the payment of the Costs of the Project identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Agency Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

**(c)** Upon the receipt by the Trustee of a certificate of an Authorized Agency Representative requesting the Trustee to close the 2007 Series B Project Fund, and after payment from the 2007 Series B Project Fund of all amounts included in requisitions submitted by the Agency pursuant to Section 5.03 (b) hereof, the Trustee shall transfer any moneys remaining in the 2007 Series B Project Fund to such account or accounts in the Special Fund as directed by an Authorized Agency Representative. Upon such transfer, the Trustee shall close the 2007 Series B Project Fund.

**(d)** Moneys held in the 2007 Series B Project Fund may be invested and reinvested to the fullest extent practicable in any investment in which the Agency can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2007 Series B Project Fund. Any investment earnings on moneys on deposit in the 2007 Series B Project Fund shall be deposited in the 2007 Series B Project Fund and be used in the same manner as other amounts on deposit in the 2007 Series B Project Fund.

**(e)** In the event of redemption of all the 2007 Series B Bonds or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the 2007 Series B Project Fund shall be transferred to such account or accounts in the Special Fund as directed by an Authorized Agency Representative.

**Section 2.06. 2007 Series B Coverage Reserve Subaccount**

**(a)** The Trustee shall establish and maintain within the Debt Service Reserve Account a sub-account known as the "2007 Series B Coverage Reserve Subaccount." Amounts in the 2007 Series B Coverage Reserve Subaccount shall be applied as provided in Section 5.04(a)(4) of the Master Indenture to the payment of the 2007 Series B Bonds prior to any draw on the 2007 Series B Surety Bond.

**(b)** On or before November 1 of each year, commencing November 1, 2007, the Agency shall file with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing the following calculations for each Fiscal Year until the final maturity of the Outstanding Parity Obligations:

(i) the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter;

(ii) the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; and

(iii) the greatest amount in dollars for any Fiscal Year by which the amount calculated in subparagraph (i) above is less than 1.35 times the amount calculated in subparagraph (ii) above. The amount calculated in this subparagraph (iii) is the "2007 Series B Coverage Reserve Requirement."

For the purposes of the calculations required by this section, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least one hundred forty percent (140%) of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in Section 7.03), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

**(c)** In the event that the 2007 Series B Coverage Requirement is greater than zero, the Agency shall, form any source of legally available funds, transfer to the Trustee for deposit in the 2007 Series B Coverage Subaccount an amount equal to the difference, if any, between the amount on deposit therein and the 2007 Series B Coverage Reserve Requirement.

**(d)** After the 2007 Series B Coverage Reserve Termination Date, the provisions of this Section 2.06 shall cease to be effective and the Trustee shall transfer any amounts on deposit in the 2007 Series B Coverage Reserve Subaccount to the Agency.

**Section 2.07. 2007 Series B Bond Insurance Policy.** Notwithstanding anything in the Indenture to the contrary, but subject to Section 11.05 of the Master Indenture, the Trustee and the Agency covenant and agree to the following terms and conditions with respect to the 2007 Series B Bond Insurance Policy:

**(a)** So long as any 2007 Series Bonds are Outstanding and the 2007 Series B Bond Insurance Policy is in effect, the Agency and the Trustee shall comply with the following provisions:

(i) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the 2007 Series B Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2007 Series B Bonds due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(ii) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

(iii) In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal or interest on the 2007 Series B Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(iv) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the 2007 Series B Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the 2007 Series B Bonds, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of the 2007 Series B Bonds, the Trustee shall (a) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the 2007 Series B Bond surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (b) receive as designee of the respective Holders (and not

as Trustee) in accordance with the tenor of the Policy payment therefor from the Insurance Trustee, and (c) disburse the same to such Holders.

(v) Payments with respect to claims for interest on and principal of 2007 Series B Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the 2007 Series B Bond of the Issuer with respect to such 2007 Series B Bonds, and the Insurer shall become the owner of such unpaid 2007 Series B Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(vi) Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee hereby agree for the benefit of the Insurer that:

(1) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the 2007 Series B Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the 2007 Series B Bonds; and

(2) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the 2007 Series B Bond, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 2007 Series B Bonds to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

**(b)** The 2007 Series B Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the 2007 Series B Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the 2007 Series B Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of Article II of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments. The 2007 Series B Bond Insurer reserves the right to charge the Agency a fee for any consent, supplement or amendment to the Indenture while the 2007 Series B Bond Insurance Policy is outstanding.

**(c)** To the extent the consent of a Credit Provider is provided for, or a Credit Providers is permitted to direct the remedies pursued by the Trustee contained, in Article X of the Master Indenture, the consent or direction, as appropriate, of the 2007 Series B Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the 2007 Series Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and 2007 Series B Bond Insurer shall also be entitled to approve all waivers of events of default.

**(d)** The 2007 Series B Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2007 Series Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the 2007 Series B Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding 2007 Series Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any 2007 Series Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

**(e)** In the event of any reorganization or liquidation relating to the Agency, the 2007 Series B Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding 2007 Series Bonds absent a default by the 2007 Series B Bond Insurer under the 2007 Series B Bond Insurance Policy insuring the 2007 Series Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the 2007 Series B Bond Insurer.

**(f)** Notwithstanding anything herein to the contrary, in the event that the principal or interest due on the 2007 Series Bonds shall be paid by the 2007 Series B Bond Insurer pursuant to the 2007 Series B Bond Insurance Policy, the 2007 Series Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the 2007 Series Bonds shall continue to exist and shall run to the benefit of the 2007 Series B Bond Insurer, and the 2007 Series B Bond Insurer shall be subrogated to the rights of such Owners of the 2007 Series Bonds.

**(g)** Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the 2007 Series Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the such Owners as if there were no 2007 Series B Bond Insurance Policy.

**(h)** To the extent that the Indenture confers upon or gives or grants to the 2007 Series B Bond Insurer any right, remedy or claim under or by reason of the Indenture, the 2007 Series B Bond Insurer is hereby explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

**(i)** The 2007 Series B Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the 2007 Series B Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the 2007 Series Bonds.

**(j)** Notwithstanding any other provision of the Indenture, in the event that the principal and/or interest on the 2007 Series Bonds shall be paid by the 2007 Series B Bond Insurer pursuant to the 2007 Series B Bond Insurance Policy, the 2007 Series Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Subordinate Pledged Tax Revenues and all covenants, agreements and other obligations of the Agency to the registered owners shall continue to exist and shall run to the benefit of the 2007 Series B Bond Insurer, and the 2007 Series B Bond Insurer shall be subrogated to the rights of such registered owners.

**(k)** The Agency hereby covenants an agrees that it shall reimburse the 2007 Series B Bond Insurer for any amounts paid under the 2007 Series B Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the 2007 Series B Bond Insurer until payment thereof in full by the Agency, payable at the 2007 Series B Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the 2007 Series B Bond Insurer in respect of interest on the 2007 Series Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the 2007 Series Bonds. For the purposes of the foregoing, "2007 Series B Bond Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Series Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The 2007 Series B Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2007 Series B Bond Insurer shall specify.

**(l)** The Trustee (or Paying Agent) may be removed at any time, at the request of the 2007 Series B Bond Insurer, for any breach of the Trust set forth herein.

**(m)** The Agency shall obtain the consent of the 2007 Series B Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the 2007 Series B Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with Article II of the Master Indenture without the consent of the 2007 Series B Bond Insurer if:

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series B Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series B Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series B Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

**Section 2.08. Notices and Information to the 2007 Series B Bond Insurer.**

**(a)** The Agency or the Trustee (as to (1) and (2) below) shall furnish to the 2007 Series B Bond Insurer (to the attention of the Insured Portfolio Management, Global Public Fiance unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the Owners of the 2007 Series B Bonds, including, without limitation, notice of any unscheduled redemption or defeasance of 2007 Series B Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the 2007 Series B Bonds; and

(iii) such additional information as the 2007 Series B Bond Insurer may reasonably request.

**(b)** The Trustee or the Agency, as appropriate, shall notify the 2007 Series B Bond Insurer (to the attention of the General Counsel Office) of any failure of the Agency to provide relevant notices or certificates required under the Indenture.

**(c)** Notwithstanding any other provision of the Indenture, the Trustee or the Agency, as appropriate, shall immediately notify the 2007 Series B Bond Insurer (to the attention of the General Counsel Office and to the Insured Portfolio Management, Global Public Finance Department referenced above) if at any time there are insufficient moneys to make any payments of principal of or interest on the 2007 Series B Bonds as required and immediately upon the occurrence of (i) any Event of Default under the Indenture or (ii) any payment default under any related security agreement.

**(d)** The Agency will permit the 2007 Series B Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the 2007 Series B Bond Insurer may reasonably request regarding the security for the 2007 Series B Bonds with appropriate officers of the Agency. The Trustee or the Agency, as appropriate, will permit the 2007 Series B Bond Insurer to have access to and to make copies of all books and records relating to the 2007 Series B Bonds at any reasonable time.

**(e)** The 2007 Series B Bond Insurer shall be provided with each annual report prepared pursuant to any continuing disclosure obligation entered into in connection with the issuance of the 2007 Series B Bonds and with a copy of each notice of the occurrence of any listed event required by Rule 15c2-12 thereunder.

**(f)** The Trustee shall provide the 2007 Series B Bond Insurer with prior written notice of any Trustee resignation.

## ARTICLE III

## MISCELLANEOUS

**Section 3.01. Indenture to Remain in Effect.** Save and except as heretofore amended and supplemented, and as supplemented by this First Supplemental Indenture, the Master Indenture shall remain in full force and effect.

**Section 3.02. Continuing Disclosure.** The Agency hereby covenants and agrees to comply with the 2007 Series B Continuing Disclosure Agreement as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the requirements of the 2007 Series B Continuing

Disclosure Agreement, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding 2007 Series B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations in this Section with respect to the 2007 Series B Continuing Disclosure Agreement.

**Section 3.03. Notices.** Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the Agency, the Trustee, the 2007 Series B Bond Insurer, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage prepaid, addressed to the appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail, the initial address for notices, counterparts and other communications hereunder is as follows:

| | |
|---|---|
| If to the Agency: | City of Richmond<br>1401 Marina Way South<br>Richmond, CA 94804<br>Attention: Executive Director |
| If to the Trustee: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department |
| If to the 2007 Series B Bond Insurer: | MBIA Insurance Corporation<br>113 King Street<br>Armonk, New York 10504<br>Attention: Insured Portfolio Management, Public Finance Group |

The Agency, the Trustee and the 2007 Series B Bond Insurer may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the Agency, the Trustee or the 2007 Series B Bond Insurer, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record. Each such party shall file with the Trustee information appropriate to receiving such form of Electronic Notice.

**Section 3.04. Counterparts.** This First Supplemental Indenture may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Richmond Community Redevelopment Agency has caused these presents to be signed in its name and on its behalf by its Executive Director and attested by its Secretary and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the first day of July, 2007.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Name: Steve Duran
Title: Executive Director

Attest:

_____
Clerk

UNION BANK OF CALIFORNIA, N.A., as Trustee

By_____
Authorized Officer

**EXHIBIT A**

**FORM OF 2007 SERIES B BONDS**

[bracketed language applies only to 2007 Series B Bonds to be registered in the name of CEDE & CO.]

[UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**SUBORDINATE HOUSING SET-ASIDE TAX ALLOCATION BONDS**
**(MERGED PROJECT AREAS),**
**(TAXABLE) 2007 SERIES B**

**(Capital Appreciation Obligations)**

No. R-_____ Maturity Value: $_____

| Yield to Maturity | Dated Date | Maturity Date | CUSIP No. |
|---|---|---|---|
| % | _____, 2007 | _____, 20__ | |

Registered Owner: CEDE & CO.

Denominational Amount: $_____

Maturity Value: $_____

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY** (herein called the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Subordinate Pledged Tax Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor pursuant to the Indenture) to the Registered Owner specified above or registered assigns, the Maturity Value hereof on the maturity date specified above, consisting of the Denominational Amount hereof plus interest

earned thereon and accumulated from the date hereof to such date (in accordance with the Indenture hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Indenture shall prevail over any accreted values given in the Table of Accreted Values), compounded on March 1 and September 1 of each year commencing September 1, 2007, assuming in any such semiannual period that this bond shall increase in value by the accumulation of earned interest in equal daily amounts on the basis of a 360-day year of twelve 30-day months, in like lawful money until payment of such Maturity Value shall be discharged as provided in the Indenture.

The Maturity Value hereof is payable upon surrender hereof at the designated corporate trust office of Union Bank of California, N.A., in San Francisco, California (together with any successor Trustee as provided in the Indenture, the "Trustee").

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas)" (the "Bonds") and of a Series of the Bonds designated as "Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B" (the "2007 Series B Bonds"). The 2007 Series B Bonds are issued pursuant to the Law and the Redevelopment Plan. The 2007 Series B Bonds have been issued in the aggregate principal amount of $9,772,621.50. The 2007 Series B Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by the Subordinate Pledged Tax Revenues and other assets pledged therefor under, and entitled to the protection given by, the Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee, and supplemented by the First Supplemental Indenture of Trust, dated as of July 1, 2007 between the Agency and the Trustee (said Indenture of Trust, as the same may be amended and supplemented from time to time, is herein called the "Indenture").

As provided in the Indenture, Bonds of the Agency may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and assignment and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

Copies of the Indenture are on file with the Agency and at the Principal Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Agency, the Trustee and the Owners of the Bonds and the terms upon which the Bonds are secured under the Indenture, the rights and remedies of the Owners of the Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. The Indenture provides that other Parity Obligations secured by a pledge of the Subordinate Pledged Tax Revenues on a parity with the Bonds may be issued or incurred by the Agency on the terms

set forth therein. By acceptance of this Bond, the Registered Owner accepts and agrees to the terms of the Indenture.

The term "Interest Date" means, with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

This Bond does not constitute a charge against the general credit of the Agency but is a limited obligation of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture. This Bond is not secured by a legal or equitable pledge of, or lien or charge upon, any property of the 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 therein. This Bond is not a debt of the City of Richmond, 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 this Bond constitute a debt, liability or obligation of any public agency (other than the limited obligation of the Agency as provided in the Indenture). This Bond does not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing this Bond are liable personally on this Bond by reason of its issuance. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond or in respect of any undertakings by the Agency under the Indenture.

The 2007 Series B Bonds were issued for the purpose of providing a portion of the moneys to finance costs of the Project and related purposes.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Agency with, in certain cases, the written consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Bonds would be affected thereby, with such consent of the Owners of a majority in principal amount of the affected Outstanding Bonds; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of such consent. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Owners of the Bonds for any one or more of the purposes Trustee specified in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the Principal Office of the Trustee, by the Registered Owner hereof, or by his duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney. Thereupon and upon payment of the charges prescribed in the Indenture a new registered 2007 Series B Bond or 2007 Series B Bonds, without coupons, and for the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture. The Agency, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

The Registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law, including the Law and the Redevelopment Plan, and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner and that the 2007 Series B Bonds, together with all other indebtedness of the Agency, comply in all respects with the applicable laws of the State of California, including the Law and the Redevelopment Plan.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

**IN WITNESS WHEREOF, RICHMOND COMMUNITY REDEVELOPMENT AGENCY** has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Vice Chair and attested by the manual or facsimile signature of its Clerk, as of the Dated Date specified above.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

ATTEST:_____ BY:_____

CLERK CHAIR

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2007 Series B Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication: _____

UNION BANK OF CALIFORNIA, N.A., as Trustee

BY:_____
AUTHORIZED SIGNATORY

STATEMENT OF INSURANCE

[TO COME]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

_____

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within Bond of the Richmond Community Redevelopment Agency and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____ _____

Notice: The Signature of this assignment and transfer must correspond with the name as written upon the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed by _____

Notice: Signature must be guaranteed by a member of the National Association of Securities Dealers, a commercial bank, a trust company or other eligible guarantor institution.

**EXHIBIT B**

**FORM OF REQUISITION FOR MONEY FROM THE 2007 SERIES B PROJECT FUND**

To: Union Bank of California, N.A., as Trustee

Re: Richmond Community Redevelopment Agency Housing Set Aside Subordinate Tax Allocation Bonds, (Taxable) 2007 Series B

The undersigned, on behalf of Richmond Community Redevelopment Agency (the "Agency"), hereby requests payment, from the 2007 Series B Project Fund established pursuant to that certain First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and Union Bank of California, N.A., as trustee (the "First Supplemental Indenture"), of the total amount shown [below] [on the attachment hereto] to the order of the payee or payees named [below] [on the attachment]. [The payee(s), the purpose and the amount of the disbursement requested are as follows:

| Payee | Purpose | Amount |
|---|---|---|
| [Name and Address] | | |
| Total | | $_____] |

All capitalized terms used herein shall have the meanings given such terms pursuant to the First Supplemental Indenture. The undersigned hereby certifies as follows:

1. Each of the items for which payment is requested is a cost of the Project, is a proper charge against the 2007 Series B Project Fund, and is or was necessary in connection with the Project.

2. None of the items for which payment is requested has been reimbursed previously from the 2007 Series B Project Fund.

Dated: _____

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Authorized Agency Representative

# EXHIBIT C

# TABLE OF ACCRETED VALUES

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 4,697.45 | 4,441.70 | 4,192.00 | 3,959.70 | 3,729.50 | 3,505.80 | 2,751.60 | 2,580.15 | 2,425.60 |
| 09/01/2007 | 4,732.71 | 4,475.34 | 4,224.19 | 3,990.21 | 3,758.59 | 3,533.52 | 2,773.76 | 2,601.10 | 2,445.36 |
| 03/01/2008 | 4,864.52 | 4,601.10 | 4,344.58 | 4,104.34 | 3,867.40 | 3,637.23 | 2,856.69 | 2,679.52 | 2,519.33 |
| 09/01/2008 | 5,000.00 | 4,730.40 | 4,468.40 | 4,221.72 | 3,979.36 | 3,743.99 | 2,942.11 | 2,760.31 | 2,595.54 |
| 03/01/2009 | | | | | | | | | |
| | - | 4,863.33 | 4,595.75 | 4,342.46 | 4,094.57 | 3,853.88 | 3,030.08 | 2,843.54 | 2,674.06 |
| 09/01/2009 | - | 5,000.00 | 4,726.73 | 4,466.66 | 4,213.11 | 3,966.99 | 3,120.68 | 2,929.27 | 2,754.95 |
| 03/01/2010 | - | - | 4,861.45 | 4,594.41 | 4,335.08 | 4,083.43 | 3,213.98 | 3,017.59 | 2,838.29 |
| 09/01/2010 | - | - | 5,000.00 | 4,725.81 | 4,460.59 | 4,203.28 | 3,310.08 | 3,108.57 | 2,924.15 |
| 03/01/2011 | - | - | - | 4,860.97 | 4,589.72 | 4,326.65 | 3,409.05 | 3,202.29 | 3,012.60 |
| 09/01/2011 | | | | | | | | | |
| | - | - | - | 5,000.00 | 4,722.60 | 4,453.65 | 3,510.99 | 3,298.84 | 3,103.74 |
| 03/01/2012 | - | - | - | - | 4,859.32 | 4,584.37 | 3,615.96 | 3,398.30 | 3,197.63 |
| 09/01/2012 | - | - | - | - | 5,000.00 | 4,718.92 | 3,724.08 | 3,500.76 | 3,294.36 |
| 03/01/2013 | - | - | - | - | - | 4,857.43 | 3,835.43 | 3,606.31 | 3,394.01 |
| 09/01/2013 | - | - | - | - | - | 5,000.00 | 3,950.11 | 3,715.04 | 3,496.68 |
| 03/01/2014 | | | | | | | | | |
| | - | - | - | - | - | - | 4,068.22 | 3,827.05 | 3,602.46 |
| 09/01/2014 | - | - | - | - | - | - | 4,189.86 | 3,942.44 | 3,711.44 |
| 03/01/2015 | - | - | - | - | - | - | 4,315.14 | 4,061.31 | 3,823.71 |
| 09/01/2015 | - | - | - | - | - | - | 4,444.16 | 4,183.76 | 3,939.38 |
| 03/01/2016 | - | - | - | - | - | - | 4,577.04 | 4,309.90 | 4,058.54 |
| 09/01/2016 | | | | | | | | | |
| | - | - | - | - | - | - | 4,713.89 | 4,439.84 | 4,181.32 |
| 03/01/2017 | - | - | - | - | - | - | 4,854.84 | 4,573.71 | 4,307.80 |
| 09/01/2017 | - | - | - | - | - | - | 5,000.00 | 4,711.60 | 4,438.12 |
| 03/01/2018 | - | - | - | - | - | - | - | 4,853.66 | 4,572.37 |
| 09/01/2018 | - | - | - | - | - | - | - | 5,000.00 | 4,710.69 |
| 03/01/2019 | - | - | - | - | - | - | - | - | 4,853.19 |

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 2,273.65 | 2,129.50 | 1,993.00 | 1,866.70 | 1,756.15 | 1,649.20 | 1,548.50 | 1,453.65 | 1,364.35 |
| 09/01/2007 | 2,292.29 | 2,147.07 | 2,009.55 | 1,882.28 | 1,770.81 | 1,662.99 | 1,561.46 | 1,465.84 | 1,375.81 |
| 03/01/2008 | 2,362.09 | 2,212.88 | 2,071.55 | 1,940.63 | 1,825.70 | 1,714.62 | 1,610.03 | 1,511.50 | 1,418.73 |
| 09/01/2008 | 2,434.02 | 2,280.71 | 2,135.46 | 2,000.79 | 1,882.30 | 1,767.86 | 1,660.10 | 1,558.59 | 1,463.00 |
| 03/01/2009 | 2,508.13 | 2,350.62 | 2,201.34 | 2,062.82 | 1,940.65 | 1,822.76 | 1,711.73 | 1,607.14 | 1,508.65 |
| 09/01/2009 | 2,584.51 | 2,422.66 | 2,269.25 | 2,126.77 | 2,000.81 | 1,879.35 | 1,764.96 | 1,657.20 | 1,555.72 |
| 03/01/2010 | 2,663.20 | 2,496.92 | 2,339.26 | 2,192.70 | 2,062.84 | 1,937.71 | 1,819.86 | 1,708.82 | 1,604.26 |
| 09/01/2010 | 2,744.30 | 2,573.45 | 2,411.42 | 2,260.67 | 2,126.79 | 1,997.88 | 1,876.45 | 1,762.05 | 1,654.31 |
| 03/01/2011 | 2,827.86 | 2,652.33 | 2,485.82 | 2,330.75 | 2,192.72 | 2,059.91 | 1,934.81 | 1,816.94 | 1,705.93 |
| 09/01/2011 | 2,913.97 | 2,733.63 | 2,562.51 | 2,403.01 | 2,260.69 | 2,123.87 | 1,994.99 | 1,873.54 | 1,759.15 |
| 03/01/2012 | 3,002.70 | 2,817.41 | 2,641.56 | 2,477.50 | 2,330.77 | 2,189.82 | 2,057.03 | 1,931.90 | 1,814.04 |
| 09/01/2012 | 3,094.13 | 2,903.77 | 2,723.05 | 2,554.31 | 2,403.03 | 2,257.82 | 2,121.01 | 1,992.08 | 1,870.64 |
| 03/01/2013 | 3,188.35 | 2,992.77 | 2,807.06 | 2,633.49 | 2,477.52 | 2,327.92 | 2,186.97 | 2,054.14 | 1,929.00 |
| 09/01/2013 | 3,285.44 | 3,084.50 | 2,893.66 | 2,715.13 | 2,554.33 | 2,400.21 | 2,254.99 | 2,118.12 | 1,989.19 |
| 03/01/2014 | 3,385.48 | 3,179.05 | 2,982.93 | 2,799.30 | 2,633.51 | 2,474.74 | 2,325.12 | 2,184.11 | 2,051.25 |
| 09/01/2014 | 3,488.57 | 3,276.49 | 3,074.96 | 2,886.08 | 2,715.15 | 2,551.58 | 2,397.43 | 2,252.14 | 2,115.25 |
| 03/01/2015 | 3,594.79 | 3,376.91 | 3,169.82 | 2,975.56 | 2,799.32 | 2,630.81 | 2,471.99 | 2,322.30 | 2,181.25 |
| 09/01/2015 | 3,704.25 | 3,480.42 | 3,267.61 | 3,067.80 | 2,886.10 | 2,712.50 | 2,548.87 | 2,394.64 | 2,249.30 |
| 03/01/2016 | 3,817.05 | 3,587.10 | 3,368.42 | 3,162.90 | 2,975.57 | 2,796.72 | 2,628.14 | 2,469.23 | 2,319.48 |
| 09/01/2016 | 3,933.28 | 3,697.04 | 3,472.34 | 3,260.96 | 3,067.82 | 2,883.56 | 2,709.88 | 2,546.15 | 2,391.85 |
| 03/01/2017 | 4,053.05 | 3,810.36 | 3,579.46 | 3,362.05 | 3,162.92 | 2,973.10 | 2,794.16 | 2,625.46 | 2,466.48 |
| 09/01/2017 | 4,176.46 | 3,927.15 | 3,689.89 | 3,466.27 | 3,260.97 | 3,065.42 | 2,881.06 | 2,707.25 | 2,543.44 |
| 03/01/2018 | 4,303.63 | 4,047.52 | 3,803.72 | 3,573.73 | 3,362.06 | 3,160.60 | 2,970.66 | 2,791.58 | 2,622.79 |
| 09/01/2018 | 4,434.68 | 4,171.58 | 3,921.07 | 3,684.52 | 3,466.29 | 3,258.74 | 3,063.05 | 2,878.54 | 2,704.63 |
| 03/01/2019 | 4,569.72 | 4,299.44 | 4,042.04 | 3,798.74 | 3,573.74 | 3,359.92 | 3,158.31 | 2,968.21 | 2,789.01 |

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 07/12/2007 | 1,277.55 | 1,195.80 | 1,118.85 | 1,046.45 | 978.35 | 914.30 | 854.15 | 797.65 |
| 09/01/2007 | 1,288.31 | 1,205.91 | 1,128.34 | 1,055.35 | 986.70 | 922.13 | 861.48 | 804.52 |
| 03/01/2008 | 1,328.64 | 1,243.77 | 1,163.88 | 1,088.70 | 1,017.98 | 951.45 | 888.96 | 830.26 |
| 09/01/2008 | 1,370.23 | 1,282.83 | 1,200.54 | 1,123.10 | 1,050.25 | 981.71 | 917.32 | 856.83 |
| 03/01/2009 | 1,413.11 | 1,323.11 | 1,238.36 | 1,158.59 | 1,083.54 | 1,012.93 | 946.59 | 884.25 |
| 09/01/2009 | 1,457.35 | 1,364.66 | 1,277.37 | 1,195.21 | 1,117.89 | 1,045.14 | 976.78 | 912.55 |
| 03/01/2010 | 1,502.96 | 1,407.51 | 1,317.61 | 1,232.97 | 1,153.33 | 1,078.37 | 1,007.94 | 941.75 |
| 09/01/2010 | 1,550.00 | 1,451.70 | 1,359.11 | 1,271.94 | 1,189.89 | 1,112.67 | 1,040.10 | 971.89 |
| 03/01/2011 | 1,598.52 | 1,497.29 | 1,401.92 | 1,312.13 | 1,227.61 | 1,148.05 | 1,073.28 | 1,002.99 |
| 09/01/2011 | 1,648.55 | 1,544.30 | 1,446.08 | 1,353.59 | 1,266.52 | 1,184.56 | 1,107.52 | 1,035.08 |
| 03/01/2012 | 1,700.15 | 1,592.79 | 1,491.64 | 1,396.37 | 1,306.67 | 1,222.23 | 1,142.85 | 1,068.21 |
| 09/01/2012 | 1,753.37 | 1,642.81 | 1,538.62 | 1,440.49 | 1,348.09 | 1,261.10 | 1,179.30 | 1,102.39 |
| 03/01/2013 | 1,808.25 | 1,694.39 | 1,587.09 | 1,486.01 | 1,390.83 | 1,301.20 | 1,216.92 | 1,137.67 |
| 09/01/2013 | 1,864.85 | 1,747.60 | 1,637.09 | 1,532.97 | 1,434.92 | 1,342.58 | 1,255.75 | 1,174.07 |
| 03/01/2014 | 1,923.22 | 1,802.47 | 1,688.65 | 1,581.41 | 1,480.40 | 1,385.28 | 1,295.80 | 1,211.64 |
| 09/01/2014 | 1,983.42 | 1,859.07 | 1,741.85 | 1,631.39 | 1,527.33 | 1,429.33 | 1,337.14 | 1,250.42 |
| 03/01/2015 | 2,045.50 | 1,917.45 | 1,796.72 | 1,682.94 | 1,575.75 | 1,474.79 | 1,379.80 | 1,290.43 |
| 09/01/2015 | 2,109.53 | 1,977.66 | 1,853.31 | 1,736.12 | 1,625.70 | 1,521.68 | 1,423.81 | 1,331.73 |
| 03/01/2016 | 2,175.55 | 2,039.76 | 1,911.69 | 1,790.98 | 1,677.24 | 1,570.08 | 1,469.24 | 1,374.34 |
| 09/01/2016 | 2,243.65 | 2,103.80 | 1,971.91 | 1,847.58 | 1,730.41 | 1,620.01 | 1,516.10 | 1,418.32 |
| 03/01/2017 | 2,313.88 | 2,169.86 | 2,034.03 | 1,905.96 | 1,785.26 | 1,671.52 | 1,564.47 | 1,463.71 |
| 09/01/2017 | 2,386.30 | 2,238.00 | 2,098.10 | 1,966.19 | 1,841.86 | 1,724.68 | 1,614.38 | 1,510.55 |
| 03/01/2018 | 2,460.99 | 2,308.27 | 2,164.19 | 2,028.32 | 1,900.24 | 1,779.53 | 1,665.88 | 1,558.88 |
| 09/01/2018 | 2,538.02 | 2,380.75 | 2,232.37 | 2,092.42 | 1,960.48 | 1,836.12 | 1,719.02 | 1,608.77 |
| 03/01/2019 | 2,617.47 | 2,455.51 | 2,302.69 | 2,158.54 | 2,022.63 | 1,894.51 | 1,773.86 | 1,660.25 |

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | - | - | - | - | - | - | - | - | 5,000.00 |
| 03/01/2020 | - | - | - | - | - | - | - | - | - |
| 09/01/2020 | - | - | - | - | - | - | - | - | - |
| 03/01/2021 | - | - | - | - | - | - | - | - | - |
| 09/01/2021 | - | - | - | - | - | - | - | - | - |
| 03/01/2022 | - | - | - | - | - | - | - | - | - |
| 09/01/2022 | - | - | - | - | - | - | - | - | - |
| 03/01/2023 | - | - | - | - | - | - | - | - | - |
| 09/01/2023 | - | - | - | - | - | - | - | - | - |
| 03/01/2024 | - | - | - | - | - | - | - | - | - |
| 09/01/2024 | - | - | - | - | - | - | - | - | - |
| 03/01/2025 | - | - | - | - | - | - | - | - | - |
| 09/01/2025 | - | - | - | - | - | - | - | - | - |
| 03/01/2026 | - | - | - | - | - | - | - | - | - |
| 09/01/2026 | - | - | - | - | - | - | - | - | - |
| 03/01/2027 | - | - | - | - | - | - | - | - | - |
| 09/01/2027 | - | - | - | - | - | - | - | - | - |
| 03/01/2028 | - | - | - | - | - | - | - | - | - |
| 09/01/2028 | - | - | - | - | - | - | - | - | - |
| 03/01/2029 | - | - | - | - | - | - | - | - | - |
| 09/01/2029 | - | - | - | - | - | - | - | - | - |
| 03/01/2030 | - | - | - | - | - | - | - | - | - |
| 09/01/2030 | - | - | - | - | - | - | - | - | - |
| 03/01/2031 | - | - | - | - | - | - | - | - | - |
| 09/01/2031 | - | - | - | - | - | - | - | - | - |

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | 4,708.86 | 4,431.23 | 4,166.74 | 3,916.50 | 3,684.53 | 3,464.25 | 3,256.54 | 3,060.67 | 2,876.03 |
| 03/01/2020 | 4,852.25 | 4,567.05 | 4,295.28 | 4,037.92 | 3,798.75 | 3,571.82 | 3,357.82 | 3,156.01 | 2,965.76 |
| 09/01/2020 | 5,000.00 | 4,707.03 | 4,427.79 | 4,163.10 | 3,916.51 | 3,682.73 | 3,462.25 | 3,254.32 | 3,058.30 |
| 03/01/2021 | - | 4,851.30 | 4,564.39 | 4,292.15 | 4,037.93 | 3,797.08 | 3,569.92 | 3,355.70 | 3,153.72 |
| 09/01/2021 | - | 5,000.00 | 4,705.21 | 4,425.21 | 4,163.10 | 3,914.98 | 3,680.95 | 3,460.23 | 3,252.12 |
| 03/01/2022 | - | - | 4,850.36 | 4,562.40 | 4,292.16 | 4,036.54 | 3,795.43 | 3,568.02 | 3,353.58 |
| 09/01/2022 | - | - | 5,000.00 | 4,703.84 | 4,425.22 | 4,161.88 | 3,913.47 | 3,679.16 | 3,458.22 |
| 03/01/2023 | - | - | - | 4,849.66 | 4,562.40 | 4,291.11 | 4,035.18 | 3,793.77 | 3,566.12 |
| 09/01/2023 | - | - | - | 5,000.00 | 4,703.84 | 4,424.35 | 4,160.68 | 3,911.95 | 3,677.38 |
| 03/01/2024 | - | - | - | - | 4,849.66 | 4,561.73 | 4,290.08 | 4,033.81 | 3,792.12 |
| 09/01/2024 | - | - | - | - | 5,000.00 | 4,703.38 | 4,423.50 | 4,159.46 | 3,910.43 |
| 03/01/2025 | - | - | - | - | - | 4,849.42 | 4,561.07 | 4,289.03 | 4,032.44 |
| 09/01/2025 | - | - | - | - | - | 5,000.00 | 4,702.92 | 4,422.64 | 4,158.26 |
| 03/01/2026 | - | - | - | - | - | - | 4,849.19 | 4,560.41 | 4,288.00 |
| 09/01/2026 | - | - | - | - | - | - | 5,000.00 | 4,702.47 | 4,421.78 |
| 03/01/2027 | - | - | - | - | - | - | - | 4,848.95 | 4,559.75 |
| 09/01/2027 | - | - | - | - | - | - | - | 5,000.00 | 4,702.01 |
| 03/01/2028 | - | - | - | - | - | - | - | - | 4,848.72 |
| 09/01/2028 | - | - | - | - | - | - | - | - | 5,000.00 |
| 03/01/2029 | - | - | - | - | - | - | - | - | - |
| 09/01/2029 | - | - | - | - | - | - | - | - | - |
| 03/01/2030 | - | - | - | - | - | - | - | - | - |
| 09/01/2030 | - | - | - | - | - | - | - | - | - |
| 03/01/2031 | - | - | - | - | - | - | - | - | - |
| 09/01/2031 | - | - | - | - | - | - | - | - | - |

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 09/01/2019 | 2,699.39 | 2,532.62 | 2,375.22 | 2,226.75 | 2,086.75 | 1,954.75 | 1,830.44 | 1,713.38 |
| 03/01/2020 | 2,783.89 | 2,612.14 | 2,450.04 | 2,297.12 | 2,152.90 | 2,016.92 | 1,888.84 | 1,768.21 |
| 09/01/2020 | 2,871.02 | 2,694.16 | 2,527.22 | 2,369.71 | 2,221.15 | 2,081.06 | 1,949.09 | 1,824.79 |
| 03/01/2021 | 2,960.89 | 2,778.76 | 2,606.83 | 2,444.59 | 2,291.56 | 2,147.24 | 2,011.27 | 1,883.19 |
| 09/01/2021 | 3,053.56 | 2,866.01 | 2,688.94 | 2,521.84 | 2,364.20 | 2,215.52 | 2,075.43 | 1,943.45 |
| 03/01/2022 | 3,149.14 | 2,956.01 | 2,773.65 | 2,601.53 | 2,439.15 | 2,285.98 | 2,141.64 | 2,005.64 |
| 09/01/2022 | 3,247.71 | 3,048.83 | 2,861.02 | 2,683.74 | 2,516.47 | 2,358.67 | 2,209.96 | 2,069.82 |
| 03/01/2023 | 3,349.37 | 3,144.56 | 2,951.14 | 2,768.55 | 2,596.24 | 2,433.68 | 2,280.46 | 2,136.06 |
| 09/01/2023 | 3,454.20 | 3,243.30 | 3,044.10 | 2,856.04 | 2,678.54 | 2,511.07 | 2,353.21 | 2,204.41 |
| 03/01/2024 | 3,562.32 | 3,345.15 | 3,139.99 | 2,946.29 | 2,763.45 | 2,590.93 | 2,428.28 | 2,274.95 |
| 09/01/2024 | 3,673.82 | 3,450.18 | 3,238.91 | 3,039.39 | 2,851.05 | 2,673.32 | 2,505.74 | 2,347.75 |
| 03/01/2025 | 3,788.81 | 3,558.52 | 3,340.93 | 3,135.44 | 2,941.43 | 2,758.34 | 2,585.67 | 2,422.88 |
| 09/01/2025 | 3,907.41 | 3,670.26 | 3,446.17 | 3,234.52 | 3,034.68 | 2,846.05 | 2,668.16 | 2,500.42 |
| 03/01/2026 | 4,029.71 | 3,785.51 | 3,554.73 | 3,336.73 | 3,130.88 | 2,936.56 | 2,753.28 | 2,580.43 |
| 09/01/2026 | 4,155.84 | 3,904.38 | 3,666.70 | 3,442.17 | 3,230.13 | 3,029.95 | 2,841.11 | 2,663.01 |
| 03/01/2027 | 4,285.92 | 4,026.97 | 3,782.21 | 3,550.94 | 3,332.53 | 3,126.30 | 2,931.74 | 2,748.22 |
| 09/01/2027 | 4,420.07 | 4,153.42 | 3,901.35 | 3,663.16 | 3,438.17 | 3,225.72 | 3,025.26 | 2,836.17 |
| 03/01/2028 | 4,558.42 | 4,283.84 | 4,024.24 | 3,778.91 | 3,547.16 | 3,328.30 | 3,121.77 | 2,926.93 |
| 09/01/2028 | 4,701.10 | 4,418.36 | 4,151.01 | 3,898.33 | 3,659.60 | 3,434.15 | 3,221.36 | 3,020.59 |
| 03/01/2029 | 4,848.25 | 4,557.09 | 4,281.77 | 4,021.52 | 3,775.62 | 3,543.36 | 3,324.12 | 3,117.25 |
| 09/01/2029 | 5,000.00 | 4,700.19 | 4,416.64 | 4,148.60 | 3,895.30 | 3,656.04 | 3,430.16 | 3,217.00 |
| 03/01/2030 | - | 4,847.78 | 4,555.77 | 4,279.69 | 4,018.79 | 3,772.30 | 3,539.59 | 3,319.95 |
| 09/01/2030 | - | 5,000.00 | 4,699.28 | 4,414.93 | 4,146.18 | 3,892.27 | 3,652.51 | 3,426.19 |
| 03/01/2031 | - | - | 4,847.31 | 4,554.45 | 4,277.62 | 4,016.04 | 3,769.02 | 3,535.83 |
| 09/01/2031 | - | - | 5,000.00 | 4,698.37 | 4,413.22 | 4,143.76 | 3,889.26 | 3,648.98 |

| DATE | 09/01/2008 @ 5.5701703% | 09/01/2009 @ 5.6203384% | 09/01/2010 @ 5.7000509% | 09/01/2011 @ 5.7201023% | 09/01/2012 @ 5.7901237% | 09/01/2013 @ 5.8702354% | 09/01/2017 @ 5.9800103% | 09/01/2018 @ 6.0300636% | 09/01/2019 @ 6.0500898% |
|---|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | - | - | - | - | - | - |
| 09/01/2032 | - | - | - | - | - | - | - | - | - |
| 03/01/2033 | - | - | - | - | - | - | - | - | - |
| 09/01/2033 | - | - | - | - | - | - | - | - | - |
| 03/01/2034 | - | - | - | - | - | - | - | - | - |
| 09/01/2034 | - | - | - | - | - | - | - | - | - |
| 03/01/2035 | - | - | - | - | - | - | - | - | - |
| 09/01/2035 | - | - | - | - | - | - | - | - | - |
| 03/01/2036 | - | - | - | - | - | - | - | - | - |
| 09/01/2036 | - | - | - | - | - | - | - | - | - |

| DATE | 09/01/2020 @ 6.0900029% | 09/01/2021 @ 6.1301576% | 09/01/2022 @ 6.1700995% | 09/01/2023 @ 6.2001307% | 09/01/2024 @ 6.2000620% | 09/01/2025 @ 6.2101503% | 09/01/2026 @ 6.2201008% | 09/01/2027 @ 6.2301156% | 09/01/2028 @ 6.2401122% |
|---|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | - | - | - | - | - | - |
| 09/01/2032 | - | - | - | - | - | - | - | - | - |
| 03/01/2033 | - | - | - | - | - | - | - | - | - |
| 09/01/2033 | - | - | - | - | - | - | - | - | - |
| 03/01/2034 | - | - | - | - | - | - | - | - | - |
| 09/01/2034 | - | - | - | - | - | - | - | - | - |
| 03/01/2035 | - | - | - | - | - | - | - | - | - |
| 09/01/2035 | - | - | - | - | - | - | - | - | - |
| 03/01/2036 | - | - | - | - | - | - | - | - | - |
| 09/01/2036 | - | - | - | - | - | - | - | - | - |

| DATE | 09/01/2029 @ 6.2600817% | 09/01/2030 @ 6.2800867% | 09/01/2031 @ 6.3000823% | 09/01/2032 @ 6.3200639% | 09/01/2033 @ 6.3400711% | 09/01/2034 @ 6.3601927% | 09/01/2035 @ 6.3801444% | 09/01/2036 @ 6.4000920% |
|---|---|---|---|---|---|---|---|---|
| 03/01/2032 | - | - | - | 4,846.84 | 4,553.12 | 4,275.53 | 4,013.33 | 3,765.75 |
| 09/01/2032 | - | - | - | 5,000.00 | 4,697.46 | 4,411.50 | 4,141.36 | 3,886.25 |
| 03/01/2033 | - | - | - | - | 4,846.37 | 4,551.79 | 4,273.47 | 4,010.61 |
| 09/01/2033 | - | - | - | - | 5,000.00 | 4,696.54 | 4,409.79 | 4,138.95 |
| 03/01/2034 | - | - | - | - | - | 4,845.90 | 4,550.47 | 4,271.40 |
| 09/01/2034 | - | - | - | - | - | 5,000.00 | 4,695.63 | 4,408.09 |
| 03/01/2035 | - | - | - | - | - | - | 4,845.43 | 4,549.15 |
| 09/01/2035 | - | - | - | - | - | - | 5,000.00 | 4,694.73 |
| 03/01/2036 | - | - | - | - | - | - | - | 4,844.96 |
| 09/01/2036 | - | - | - | - | - | - | - | 5,000.00 |

TABLE OF CONTENTS


ARTICLE I AUTHORITY AND DEFINITIONS ..... 2

Section 1.01. Supplemental Indenture of Trust ..... 2
Section 1.02. Authority for the First Supplemental Indenture of Trust ..... 2
Section 1.03. Definitions ..... 2
Section 1.04. Interpretation ..... 4

ARTICLE II THE 2007 SERIES B BONDS ..... 5

Section 2.01. Principal Amount and Designation; Conditions to Issuance ..... 5
Section 2.02. Terms of the 2007 Series B Bonds ..... 5
Section 2.03. Application of Proceeds of 2007 Series B Bonds ..... 7
Section 2.04. 2007 Series B Costs of Issuance Fund ..... 7
Section 2.05. 2007 Series B Project Fund ..... 8
Section 2.06. 2007 Series B Coverage Reserve Subaccount ..... 9
Section 2.07. 2007 Series B Bond Insurance Policy ..... 10
Section 2.08. Notices and Information to the 2007 Series B Bond Insurer ..... 15

ARTICLE III MISCELLANEOUS ..... 16

Section 3.01. Indenture to Remain in Effect ..... 16
Section 3.02. Continuing Disclosure ..... 16
Section 3.03. Notices ..... 17
Section 3.04. Counterparts ..... 17

EXHIBIT A FORM OF 2007 SERIES B BONDS ..... A-1

EXHIBIT B FORM OF REQUISITION FOR MONEY FROM THE 2007 SERIES B PROJECT FUND ..... B-1

EXHIBIT C TABLE OF ACCRETED VALUES ..... C-1

When Recorded Return to:

Goldfarb & Lipman
1300 Clay Street, 9th Floor
Oakland, CA 94612
Attn: Lynn Hutchins

NO RECORDING FEE PURSUANT TO
GOVERNMENT CODE SECTION 27383

ORDINANCE NO. 15-07 N.S.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RICHMOND ADOPTING AMENDMENTS TO THE CITY OF RICHMOND'S URBAN RENEWAL/ REDEVELOPMENT PLANS FOR PROJECT AREA NOS. 1-A (EASTSHORE PARK), 1-B (PILOT), 1-C (POTRERO), 3-A (GALVIN), 6-A (HARBOR GATE), 8-A (HENSLEY), 10-A (DOWNTOWN), 10-B (NEVIN), 11-A (HARBOUR) AND 12-A (NORTH RICHMOND) PURSUANT TO HEALTH AND SAFETY CODE SECTION 33333.6(e)(2)(D), AND AMENDING RELATED ORDINANCES IN CONNECTION THEREWITH

THE CITY COUNCIL OF THE CITY OF RICHMOND, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, DOES ORDAIN AS FOLLOWS:

WHEREAS, the City Council of the City of Richmond adopted the Urban Renewal/ Redevelopment Plans (the "Redevelopment Plans") for Project Area Nos. 1-A (Eastshore Park), 1-B (Pilot), 1-C (Potrero), 3-A (Galvin), 6-A (Harbor Gate), 8-A (Hensley), 10-A (Downtown), 10-B (Nevin), 11-A (Harbour), and 12-A (North Richmond) (the "Project Areas").

WHEREAS, the Redevelopment Plans, as amended, contain time limits for conducting certain redevelopment functions meeting the requirements of the Community Redevelopment Law (the "CRL") for such time limits in effect as of the date of adoption and amendment of each Redevelopment Plan; and

WHEREAS, SB 1096 added Health and Safety Code Sections 33333.6(e)(2)(D) to the CRL, which allows the City Council to amend the Redevelopment Plans to extend the time limits on the effectiveness of the Redevelopment Plan and agency payment on indebtedness or receipt of property taxes by two years; and

WHEREAS, the Richmond Community Redevelopment Agency (the "Agency") has prepared amendments to the Redevelopment Plans to amend their time limits to the extent permitted by Health and Safety Code Section 33333.6(e)(2)(D) (the "Amendments"), copies of which are on file with the City Clerk; and

WHEREAS, the City Council desires to amend each of the Redevelopment Plans in accordance with the terms of the Amendment for each Redevelopment Plan as authorized pursuant to Health and Safety Code Section 33333.6(e)(2)(D); and

WHEREAS, the Agency has prepared and submitted and the City Council has reviewed and considered the staff report on the Amendments; and

WHEREAS, the Agency has prepared and submitted to City Council for review and approval a CEQA Notice of Exemption for the Amendments; and

WHEREAS, in adopting this Ordinance, Health and Safety Code Section 33333.6(e)(2)(D) states:

In adopting this Ordinance, neither the legislative body nor the agency is required to comply with Section 33354.6 or Article 12 (commencing with Section 33450) or any other provision of this part relating to the amendment of redevelopment plans.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF RICHMOND, AS FOLLOWS:

Section 1. The City Council hereby finds and declares that the above recitals are true and correct.

Section 2. The City Council hereby finds and declares the following:

(a) The Agency is in compliance with the requirements of Health and Safety Code Section 33334.2.

(b) The Agency has adopted an implementation plan in accordance with the requirements of Health and Safety Code Section 33490.

(c) The Agency is in compliance with subdivisions (a) and (b) of Section 33413, to the extent applicable.

(d) The Agency is not subject to sanctions pursuant to subdivision (e) of Section 33334.12 for failure to expend, encumber or disburse an excess surplus from its Housing Fund.

(e) The funds used by the Agency to make the payments to the Educational Revenue Augmentation Fund pursuant to Section 33681.12 would otherwise have been used to pay the costs of projects and activities necessary to carry out the goals and objectives of the Redevelopment Plans.

Section 3. The City Council hereby incorporates by reference the staff report prepared in conjunction with this Ordinance which provides evidence to support these findings.

Section 4. The Amendments are hereby incorporated in this Ordinance by reference and made a part of this Ordinance as if set out in full in the Ordinance.

Section 5. It is hereby found and determined that the proposed amendments embodied in the Amendment for each Redevelopment Plan are necessary and desirable. The Redevelopment Plans are further amended in accordance with the proposed Amendment for each Redevelopment Plan.

Section 6. The Amendment for each Redevelopment Plan is hereby adopted, approved, and designated as part of the official Redevelopment Plan for each of the Project Area. It is the purpose and intent of the City Council that the Amendment for each Redevelopment Plan be implemented as part of the Redevelopment Plan for each Project Area. The Executive Director of the Agency may prepare a document that incorporates the provisions of the Amendment for each Redevelopment Plan into the existing text of the affected Redevelopment Plan, and such document shall then constitute the official Redevelopment Plan for such Project Area.

Section 7. This Ordinance amends the following ordinances as described in the attached Attachment A: the Eastshore Ordinances for the Eastshore Plan; the Pilot Ordinances for the Pilot Plan, the Potrero Ordinances for the Potrero Plan; the Galvin Ordinances for the Galvin Plan; the Harbor Gate Ordinances for the Harbor Gate Plan; the Hensley Ordinances for the Hensley Plans; the Downtown Ordinances for the Downtown Plan; the Nevin Ordinances for the Nevin Plan; the Harbour Ordinances for the Harbour Plan; and the North Richmond Ordinances for the North Richmond Plan.

Section 8. In accordance with Health and Safety Code Section 33333.6(g), the Amendment for each Redevelopment Plan shall not be construed to affect the validity of any bond, indebtedness, or other obligation, including any mitigation agreement entered into pursuant to Health and Safety Code Section 33401, authorized by the City Council or the Agency prior to January 1, 1994, nor shall the Amendment for each Redevelopment Plan be construed to affect the right of the Agency to receive property taxes pursuant to Health and Safety Code Section 33670, to pay the indebtedness or other obligation described in this Section 8.

Section 9. The City Council hereby approves the CEQA Notice of Exemption for the Amendments and directs that the Notice of Exemption shall be filed with the County Clerk of the County of Contra Costa.

Section 10. The City Clerk is hereby directed to file a copy of the Amendments with the minutes of this meeting. A copy of this Ordinance and the Amendments shall be transmitted to the Agency and the Agency is vested with the responsibility of implementing the Amendments.

Section 11. The Executive Director of the Agency is hereby directed to record this Ordinance and the Amendments in compliance with the provisions of Government Code Section 27295.

Section 12. If any provision, section, subsection, subdivision, sentence, clause or phrase of this Ordinance or the Amendments are for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portion or portions of the Ordinance or the Amendments.

Section 13. This Ordinance shall take effect and be enforced after thirty (30) days after its adoption.

**********

First introduced at a regular meeting the Council of the City of Richmond on May 15, 2007 and finally passed and adopted at a regular meeting thereof held May 29, 2007. Said Ordinance was passed and adopted and ordered published within fifteen (15) days of the date of adoption in the West County Times, a newspaper of general circulation published in the County of Contra Costa and circulated in the City of Richmond, by the following vote:

AYES: Councilmembers Bates, Butt, Lopez, Marquez, Rogers, Sandhu, Thurmond, Virmaontes and Mayor McLaughlin

NOES: None

ABSTAIN: None

ABSENT: None

DIANE HOLMES
Clerk of the City of Richmond

(SEAL)

Approved:

GAYLE McLAUHGHLIN
Mayor

Approved as to Form:

LOUISE RENNE, Interim
City Attorney

State of Califonria }
County of Contra Costa : ss.
City of Richmond }

I certify that the foregoing is a true copy of Ordinance No. 15-07 N.S., finally passed and adopted the by the Council of the City of Richmond at a meeting held on May 29, 2007, and published in accordance with law.

State of California )
County of Contra Costa: )ss
City of Richmond )

I certify that he foregoing is a true copy of Ordinance No.15-07 N.S., finally passed and adopted by the Council of the City of Richmond at regular meeting held May 29, 2007, and published in accordance with the law.

DIANE HOLMES
Clerk of the City of Richmond

ATTACHMENT "A"

1. Redevelopment Plan for Project Area No. 1-A (Eastshore Park) (the "Eastshore Plan") adopted by Ordinance No. 1560 on August 26, 1957, as amended by Ordinance No. 1710 adopted on May 8, 1961, as amended by Ordinance No. 5-70 adopted on July 27, 1970, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 24-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Eastshore Ordinances").

2. Redevelopment Plan for Project Area No. 1-B (Pilot) (the "Pilot Plan") adopted by Ordinance No. 1334 on March 15, 1950, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N. S. adopted on December 19, 1994 and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Pilot Ordinances").

3. Redevelopment Plan for Project Area No. 1-C (Potrero) (the "Potrero Plan") adopted by Ordinance No. 1654 on April 4, 1960, as amended by Ordinance No. 35 adopted on February 24, 1964, as amended by Ordinance No. 107 adopted on May 24, 1965, as amended by Ordinance No. 196 adopted on January 3, 1967, as amended Ordinance No. 41-77 adopted on December 5, 1977, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 25-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Potrero Ordinances").

4. Redevelopment Plan for Project Area No. 3-A (Galvin Industrial Park) (the "Galvin Plan") adopted by Ordinance 1464 on February 28, 1955, as amended by Ordinance No. 1658 adopted on April 25, 1960, as amended by Ordinance No. 1698 adopted on January 9, 1961, as amended by Ordinance No. 59 adopted on August 31, 1964, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 26-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Galvin Ordinances").

5. Redevelopment Plan for Project Area No. 6-A (Harbor Gate) (the "Harbor Gate Plan") adopted by Ordinance No. 1453 on November 8, 1954, as amended by Ordinance No. 1533 adopted on December 3, 1956, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 26-95 adopted on June 26, 1995, as amended by Ordinance No. 27-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03

N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Harbor Gate Ordinances").

6. Urban Renewal Plan for Project Area No. 8-A (Hensley Industrial District) (the "Hensley Plan") adopted by Ordinance No. 1648 on February 29, 1960, as amended by Ordinance No. 24 adopted on November 12, 1963, as amended by Ordinance No. 108 adopted on May 24, 1965, as amended by Ordinance No. 231 adopted on October 9, 1967, as amended by Ordinance No. 41-74 adopted on September 16, 1974, as amended by Ordinance No. 11-80 adopted on March 31, 1980, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 28-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Hensley Ordinances").

7. Urban Renewal Plan for Project Area No. 10-A (Downtown) (the "Downtown Plan") adopted by Ordinance No. 169 adopted on May 23, 1966, as amended by Ordinance No. 221 adopted on July 17, 1967, as amended by Ordinance No. 20-70 adopted on November 23, 1970, as amended by Ordinance No. 34-72 adopted on September 18, 1972, as amended by Ordinance No. 25-73 adopted on November 12, 1973, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 40-87 adopted on September 28, 1987, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Downtown Ordinances").

8. Urban Renewal Plan for Project Area No. 10-B (Nevin) (the "Nevin Plan") adopted by Ordinance No. 35-72 on September 18, 1972, as amended by Ordinance No. 13-73 adopted on July 9, 1973, as amended by Ordinance No. 40-74 adopted on September 16, 1974, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 30-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, as amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004, and as further amended by Ordinance No. 29-05 N.S. adopted on July 12, 2005 (the "Nevin Ordinances").

9. Harbour Project Area No. 11-A (Harbour) (the "Harbour Plan") adopted by Ordinance No. 10-75 on June 9, 1975, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 27-91 adopted on September 23, 1991, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 6-98 N.S. adopted on January 27, 1988, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, and as further amended by Ordinance No. 31-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "Harbour Ordinances").

10. Urban Renewal Plan for Project Area No. 12-A (North Richmond) (the "North Richmond Plan") adopted by Ordinance No. 36-72 on September 18, 1972, as amended by Ordinance No. 14-73 adopted on July 9, 1973, as amended by Ordinance No. 64-86 adopted on December 22, 1986, as amended by Ordinance No. 38-94 N.S. adopted on December 19, 1994, as amended by Ordinance No. 13-99 N.S. adopted on April 20, 1999, as amended by Ordinance No. 32-99 N.S. adopted on July 13, 1999, as amended by Ordinance No. 30-03 N.S. adopted on September 2, 2003, and as further amended by Ordinance No. 14-04 N.S. adopted on July 27, 2004 (the "North Richmond Ordinances").

FINAL

**$65,400,000**

Richmond Community Redevelopment Agency

Subordinate Tax Allocation Bonds, 2007 Series A

ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Sources & Uses

**Dated 07/12/2007 | Delivered 07/12/2007**

| Sources Of Funds | |
|---|---|
| Par Amount of Bonds | $65,400,000.00 |
| **Total Sources** | **$65,400,000.00** |

| Uses Of Funds | |
|---|---|
| Total Underwriter's Discount (0.750%) | 490,500.00 |
| Costs of Issuance | 495,000.00 |
| Gross Bond Insurance Premium | 477,000.00 |
| Surety | 83,000.00 |
| Deposit to Project Construction Fund | 63,854,500.00 |
| **Total Uses** | **$65,400,000.00** |

FINAL

**$65,400,000**

Richmond Community Redevelopment Agency

Subordinate Tax Allocation Bonds, 2007 Series A

ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Debt Service Schedule

| Date | Principal | Coupon | Interest | B/D Fees | Total P+I |
|---|---|---|---|---|---|
| 09/01/2007 | - | - | - | - | - |
| 09/01/2008 | 1,125,000.00 | 3.990% | 2,964,636.50 | 168,095.92 | 4,257,732.42 |
| 09/01/2009 | 1,525,000.00 | 3.990% | 2,564,572.50 | 165,204.37 | 4,254,776.87 |
| 09/01/2010 | 1,600,000.00 | 3.990% | 2,503,725.00 | 161,284.70 | 4,265,009.70 |
| 09/01/2011 | 1,675,000.00 | 3.990% | 2,439,885.00 | 157,172.26 | 4,272,057.26 |
| 09/01/2012 | 1,750,000.00 | 3.990% | 2,373,052.50 | 152,867.05 | 4,275,919.55 |
| 09/01/2013 | 1,825,000.00 | 3.990% | 2,303,227.50 | 148,369.07 | 4,276,596.57 |
| 09/01/2014 | 1,900,000.00 | 3.990% | 2,230,410.00 | 143,678.32 | 4,274,088.32 |
| 09/01/2015 | 2,000,000.00 | 3.990% | 2,154,600.00 | 138,794.80 | 4,293,394.80 |
| 09/01/2016 | 2,100,000.00 | 3.990% | 2,074,800.00 | 133,654.25 | 4,308,454.25 |
| 09/01/2017 | 2,200,000.00 | 3.990% | 1,991,010.00 | 128,256.68 | 4,319,266.68 |
| 09/01/2018 | 2,275,000.00 | 3.990% | 1,903,230.00 | 122,602.07 | 4,300,832.07 |
| 09/01/2019 | 2,000,000.00 | 3.990% | 1,812,457.50 | 116,754.70 | 3,929,212.20 |
| 09/01/2020 | 4,275,000.00 | 3.990% | 1,732,657.50 | 111,614.15 | 6,119,271.65 |
| 09/01/2021 | 1,775,000.00 | 3.990% | 1,562,085.00 | 100,626.23 | 3,437,711.23 |
| 09/01/2022 | 1,850,000.00 | 3.990% | 1,491,262.50 | 96,064.00 | 3,437,326.50 |
| 09/01/2023 | 3,675,000.00 | 3.990% | 1,417,447.50 | 91,308.99 | 5,183,756.49 |
| 09/01/2024 | 2,100,000.00 | 3.990% | 1,270,815.00 | 81,863.23 | 3,452,678.23 |
| 09/01/2025 | 2,200,000.00 | 3.990% | 1,187,025.00 | 76,465.66 | 3,463,490.66 |
| 09/01/2026 | 2,275,000.00 | 3.990% | 1,099,245.00 | 70,811.05 | 3,445,056.05 |
| 09/01/2027 | 7,200,000.00 | 3.990% | 1,008,472.50 | 64,963.68 | 8,273,436.18 |
| 09/01/2028 | 1,675,000.00 | 3.990% | 721,192.50 | 46,457.71 | 2,442,650.21 |
| 09/01/2029 | 1,750,000.00 | 3.990% | 654,360.00 | 42,152.50 | 2,446,512.50 |
| 09/01/2030 | 1,850,000.00 | 3.990% | 584,535.00 | 37,654.52 | 2,472,189.52 |
| 09/01/2031 | 1,925,000.00 | 3.990% | 510,720.00 | 32,899.51 | 2,468,619.51 |
| 09/01/2032 | 2,000,000.00 | 3.990% | 433,912.50 | 27,951.73 | 2,461,864.23 |
| 09/01/2033 | 2,075,000.00 | 3.990% | 354,112.50 | 22,811.19 | 2,451,923.69 |
| 09/01/2034 | 2,175,000.00 | 3.990% | 271,320.00 | 17,477.87 | 2,463,797.87 |
| 09/01/2035 | 2,275,000.00 | 3.990% | 184,537.50 | 11,887.52 | 2,471,425.02 |
| 09/01/2036 | 2,350,000.00 | 3.990% | 93,765.00 | 6,040.15 | 2,449,805.15 |
| **Total** | **$65,400,000.00** | - | **$41,893,071.50** | **$2,675,783.88** | **$109,968,855.38** |

## Yield Statistics

| | |
|---|---|
| Bond Year Dollars | $1,049,951.67 |
| Average Life | 16.054 Years |
| Average Coupon | 3.9900000% |
| Net Interest Cost (NIC) | 4.0367164% |
| True Interest Cost (TIC) | 4.0570932% |
| Bond Yield for Arbitrage Purposes | 4.3194442% |
| All Inclusive Cost (AIC) | 4.4607901% |

## IRS Form 8038

| | |
|---|---|
| Net Interest Cost | 3.9900000% |
| Weighted Average Maturity | 16.054 Years |

FINAL

**$65,400,000**

Richmond Community Redevelopment Agency

Subordinate Tax Allocation Bonds, 2007 Series A

ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Bond Balance Report

| Date | Principal | Coupon | Interest | B/D Fees | Total P+I | Bond Balance |
|---|---|---|---|---|---|---|
| 09/01/2007 | - | - | - | - | - | 65,400,000 00 |
| 09/01/2008 | 1,125,000.00 | 3 990% | 2,964,636.50 | 168,095 92 | 4,257,732.42 | 64,275,000 00 |
| 09/01/2009 | 1,525,000.00 | 3.990% | 2,564,572 50 | 165,204.37 | 4,254,776.87 | 62,750,000.00 |
| 09/01/2010 | 1,600,000.00 | 3 990% | 2,503,725.00 | 161,284 70 | 4,265,009.70 | 61,150,000 00 |
| 09/01/2011 | 1,675,000.00 | 3 990% | 2,439,885.00 | 157,172.26 | 4,272,057.26 | 59,475,000 00 |
| 09/01/2012 | 1,750,000 00 | 3.990% | 2,373,052 50 | 152,867.05 | 4,275,919.55 | 57,725,000 00 |
| 09/01/2013 | 1,825,000 00 | 3.990% | 2,303,227.50 | 148,369.07 | 4,276,596 57 | 55,900,000 00 |
| 09/01/2014 | 1,900,000.00 | 3.990% | 2,230,410.00 | 143,678.32 | 4,274,088.32 | 54,000,000.00 |
| 09/01/2015 | 2,000,000.00 | 3.990% | 2,154,600.00 | 138,794 80 | 4,293,394.80 | 52,000,000.00 |
| 09/01/2016 | 2,100,000.00 | 3.990% | 2,074,800.00 | 133,654.25 | 4,308,454.25 | 49,900,000.00 |
| 09/01/2017 | 2,200,000.00 | 3.990% | 1,991,010.00 | 128,256.68 | 4,319,266.68 | 47,700,000.00 |
| 09/01/2018 | 2,275,000.00 | 3 990% | 1,903,230.00 | 122,602.07 | 4,300,832.07 | 45,425,000 00 |
| 09/01/2019 | 2,000,000.00 | 3.990% | 1,812,457 50 | 116,754 70 | 3,929,212.20 | 43,425,000 00 |
| 09/01/2020 | 4,275,000.00 | 3.990% | 1,732,657.50 | 111,614.15 | 6,119,271.65 | 39,150,000 00 |
| 09/01/2021 | 1,775,000.00 | 3.990% | 1,562,085.00 | 100,626.23 | 3,437,711.23 | 37,375,000 00 |
| 09/01/2022 | 1,850,000.00 | 3.990% | 1,491,262.50 | 96,064 00 | 3,437,326.50 | 35,525,000.00 |
| 09/01/2023 | 3,675,000.00 | 3 990% | 1,417,447.50 | 91,308 99 | 5,183,756.49 | 31,850,000 00 |
| 09/01/2024 | 2,100,000 00 | 3 990% | 1,270,815.00 | 81,863 23 | 3,452,678 23 | 29,750,000 00 |
| 09/01/2025 | 2,200,000.00 | 3 990% | 1,187,025.00 | 76,465.66 | 3,463,490 66 | 27,550,000 00 |
| 09/01/2026 | 2,275,000 00 | 3 990% | 1,099,245 00 | 70,811 05 | 3,445,056.05 | 25,275,000.00 |
| 09/01/2027 | 7,200,000.00 | 3 990% | 1,008,472.50 | 64,963.68 | 8,273,436 18 | 18,075,000 00 |
| 09/01/2028 | 1,675,000 00 | 3.990% | 721,192.50 | 46,457.71 | 2,442,650.21 | 16,400,000.00 |
| 09/01/2029 | 1,750,000.00 | 3.990% | 654,360.00 | 42,152.50 | 2,446,512.50 | 14,650,000.00 |
| 09/01/2030 | 1,850,000.00 | 3.990% | 584,535.00 | 37,654.52 | 2,472,189.52 | 12,800,000.00 |
| 09/01/2031 | 1,925,000.00 | 3.990% | 510,720.00 | 32,899.51 | 2,468,619.51 | 10,875,000.00 |
| 09/01/2032 | 2,000,000.00 | 3.990% | 433,912.50 | 27,951.73 | 2,461,864.23 | 8,875,000.00 |
| 09/01/2033 | 2,075,000.00 | 3.990% | 354,112.50 | 22,811.19 | 2,451,923.69 | 6,800,000.00 |
| 09/01/2034 | 2,175,000.00 | 3.990% | 271,320.00 | 17,477.87 | 2,463,797.87 | 4,625,000.00 |
| 09/01/2035 | 2,275,000.00 | 3.990% | 184,537.50 | 11,887.52 | 2,471,425 02 | 2,350,000.00 |
| 09/01/2036 | 2,350,000.00 | 3.990% | 93,765.00 | 6,040.15 | 2,449,805.15 | - |
| **Total** | **$65,400,000.00** | - | **$41,893,071.50** | **$2,675,783.88** | **$109,968,855.38** | - |

**$65,400,000**

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds, 2007 Series A
ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Pricing Summary

| Maturity | Type of Bond | Coupon | Yield | Maturity Value | Price | Dollar Price |
|---|---|---|---|---|---|---|
| 09/01/2036 | Term 1 Coupon | 3.990% | 3.990% | 65,400,000.00 | 100.000% | 65,400,000.00 |
| **Total** | - | - | - | **$65,400,000.00** | - | **$65,400,000.00** |

## Bid Information

| | |
|---|---|
| Par Amount of Bonds | $65,400,000.00 |
| Gross Production | $65,400,000.00 |
| Total Underwriter's Discount (0.750%) | $(490,500.00) |
| Bid (99.250%) | 64,909,500.00 |
| Total Purchase Price | $64,909,500.00 |
| Bond Year Dollars | $1,049,951.67 |
| Average Life | 16.054 Years |
| Average Coupon | 3.9900000% |
| Net Interest Cost (NIC) | 4.0367164% |
| True Interest Cost (TIC) | 4.0570932% |

**$65,400,000**

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds, 2007 Series A
ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Coverage Ratio

| Date | Total Revenues | Total D/S | Coverage |
|---|---|---|---|
| 09/01/2007 | - | - | - |
| 09/01/2008 | 4,277,109.00 | 4,257,732.42 | 1.0045509x |
| 09/01/2009 | 4,277,090.00 | 4,254,776.87 | 1.0052443x |
| 09/01/2010 | 4,278,664.00 | 4,265,009.70 | 1.0032015x |
| 09/01/2011 | 4,284,337.00 | 4,272,057.26 | 1.0028744x |
| 09/01/2012 | 4,284,074.00 | 4,275,919.55 | 1.0019071x |
| 09/01/2013 | 4,292,605.00 | 4,276,596.57 | 1.0037433x |
| 09/01/2014 | 4,296,125.00 | 4,274,088.32 | 1.0051559x |
| 09/01/2015 | 4,305,057.00 | 4,293,394.80 | 1.0027163x |
| 09/01/2016 | 4,318,090.00 | 4,308,454.25 | 1.0022365x |
| 09/01/2017 | 4,319,734.00 | 4,319,266.68 | 1.0001082x |
| 09/01/2018 | 4,326,356.00 | 4,300,832.07 | 1.0059346x |
| 09/01/2019 | 3,941,423.00 | 3,929,212.20 | 1.0031077x |
| 09/01/2020 | 6,140,494.00 | 6,119,271.65 | 1.0034681x |
| 09/01/2021 | 3,453,048.00 | 3,437,711.23 | 1.0044613x |
| 09/01/2022 | 3,453,627.00 | 3,437,326.50 | 1.0047422x |
| 09/01/2023 | 5,208,639.00 | 5,183,756.49 | 1.0048001x |
| 09/01/2024 | 3,461,886.00 | 3,452,678.23 | 1.0026668x |
| 09/01/2025 | 3,466,205.00 | 3,463,490.66 | 1.0007837x |
| 09/01/2026 | 3,467,010.00 | 3,445,056.05 | 1.0063726x |
| 09/01/2027 | 8,281,284.00 | 8,273,436.18 | 1.0009486x |
| 09/01/2028 | 2,463,581.00 | 2,442,650.21 | 1.0085689x |
| 09/01/2029 | 2,465,418.00 | 2,446,512.50 | 1.0077275x |
| 09/01/2030 | 2,473,632.00 | 2,472,189.52 | 1.0005835x |
| 09/01/2031 | 2,473,632.00 | 2,468,619.51 | 1.0020305x |
| 09/01/2032 | 2,473,632.00 | 2,461,864.23 | 1.0047800x |
| 09/01/2033 | 2,473,632.00 | 2,451,923.69 | 1.0088536x |
| 09/01/2034 | 2,473,632.00 | 2,463,797.87 | 1.0039915x |
| 09/01/2035 | 2,473,632.00 | 2,471,425.02 | 1.0008930x |
| 09/01/2036 | 2,473,632.00 | 2,449,805.15 | 1.0097260x |
| **Total** | **$110,377,280.00** | **$109,968,855.38** | - |

**$65,400,000**

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds, 2007 Series A
ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Detail Costs Of Issuance

**Dated 07/12/2007 | Delivered 07/12/2007**

## COSTS OF ISSUANCE DETAIL

| | |
|---|---|
| Financial Advisor | $52,200.00 |
| MBIA Bank Counsel | $20,000.00 |
| Bond Counsel | $320,000.00 |
| Swap Advisor | $60,000.00 |
| Trustee | $3,680.00 |
| Rating Agency Fee | $24,800.00 |
| Printer | $4,000.00 |
| Auction Agent | $1,308.00 |
| Miscellaneous | $9,012.00 |
| **TOTAL** | **$495,000.00** |

FINAL

**$65,400,000**

Richmond Community Redevelopment Agency

Subordinate Tax Allocation Bonds, 2007 Series A

ARS Swap-to-Fixed - 68% of LIBOR Fixed Pay Rate

# Proof of Reserve Fund Requirement

| Date | Principal | Interest | TOTAL P+I |
|---|---|---|---|
| 09/01/2007 | - | - | - |
| 09/01/2008 | 1,125,000 00 | 2,964,636 50 | 4,089,636.50 |
| 09/01/2009 | 1,525,000.00 | 2,564,572.50 | 4,089,572.50 |
| 09/01/2010 | 1,600,000.00 | 2,503,725 00 | 4,103,725 00 |
| 09/01/2011 | 1,675,000 00 | 2,439,885.00 | 4,114,885 00 |
| 09/01/2012 | 1,750,000 00 | 2,373,052.50 | 4,123,052.50 |
| 09/01/2013 | 1,825,000.00 | 2,303,227.50 | 4,128,227.50 |
| 09/01/2014 | 1,900,000.00 | 2,230,410.00 | 4,130,410.00 |
| 09/01/2015 | 2,000,000 00 | 2,154,600.00 | 4,154,600.00 |
| 09/01/2016 | 2,100,000.00 | 2,074,800.00 | 4,174,800.00 |
| 09/01/2017 | 2,200,000.00 | 1,991,010.00 | 4,191,010.00 |
| 09/01/2018 | 2,275,000.00 | 1,903,230.00 | 4,178,230.00 |
| 09/01/2019 | 2,000,000.00 | 1,812,457.50 | 3,812,457.50 |
| 09/01/2020 | 4,275,000.00 | 1,732,657.50 | 6,007,657.50 |
| 09/01/2021 | 1,775,000.00 | 1,562,085.00 | 3,337,085 00 |
| 09/01/2022 | 1,850,000.00 | 1,491,262.50 | 3,341,262.50 |
| 09/01/2023 | 3,675,000 00 | 1,417,447.50 | 5,092,447 50 |
| 09/01/2024 | 2,100,000 00 | 1,270,815.00 | 3,370,815.00 |
| 09/01/2025 | 2,200,000.00 | 1,187,025.00 | 3,387,025.00 |
| 09/01/2026 | 2,275,000.00 | 1,099,245.00 | 3,374,245.00 |
| 09/01/2027 | 7,200,000.00 | 1,008,472.50 | 8,208,472.50 |
| 09/01/2028 | 1,675,000.00 | 721,192.50 | 2,396,192.50 |
| 09/01/2029 | 1,750,000.00 | 654,360.00 | 2,404,360.00 |
| 09/01/2030 | 1,850,000.00 | 584,535.00 | 2,434,535.00 |
| 09/01/2031 | 1,925,000 00 | 510,720.00 | 2,435,720.00 |
| 09/01/2032 | 2,000,000 00 | 433,912.50 | 2,433,912.50 |
| 09/01/2033 | 2,075,000 00 | 354,112.50 | 2,429,112 50 |
| 09/01/2034 | 2,175,000 00 | 271,320.00 | 2,446,320.00 |
| 09/01/2035 | 2,275,000.00 | 184,537.50 | 2,459,537.50 |
| 09/01/2036 | 2,350,000 00 | 93,765.00 | 2,443,765.00 |
| **Total** | **$65,400,000.00** | **$41,893,071.50** | **$107,293,071.50** |

## PROOF OF RESERVE FUND

### MAXIMUM PERIODIC DEBT SERVICE

| | |
|---|---|
| Omit First Period? | Yes |
| 100 % of the Maximum Periodic Debt Service | 8,208,472 50 |

### AVERAGE PERIODIC DEBT SERVICE

| | |
|---|---|
| Total P+I | 107,293,071.50 |
| Bond Years (Delivery Date) | 29.14 |
| 125 % of the Average Periodic Debt Service | 4,603,096.78 |

### PERCENT OF PAR

| | |
|---|---|
| 10 % of Par | 6,540,000.00 |

### RESERVE REQUIREMENT

| | |
|---|---|
| Proof's Requirement | 4,603,096 78 |

FINAL

**$9,772,622**

Richmond Community Redevelopment Agency

Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B

Capital Appreciation Bonds

# Sources & Uses

**Dated 07/12/2007 | Delivered 07/12/2007**

| Sources Of Funds | |
|---|---|
| Par Amount of Bonds | $9,772,621 50 |
| **Total Sources** | **$9,772,621.50** |

| Uses Of Funds | |
|---|---|
| Total Underwriter's Discount (1 250%) | 122,157 77 |
| Costs of Issuance | 106,308 73 |
| Gross Bond Insurance Premium | 109,000 00 |
| Surety | 18,000 00 |
| Deposit to Project Construction Fund | 7,620,000 00 |
| Prepayment CalHFA Loan due FY 2009-10 | 1,797,155 00 |
| **Total Uses** | **$9,772,621.50** |

FINAL

**$9,772,622**

Richmond Community Redevelopment Agency

Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B

Capital Appreciation Bonds

# Debt Service Schedule

| Date | Principal | Coupon | Interest | Total P+I |
|---|---|---|---|---|
| 09/01/2007 | - | - | - | - |
| 09/01/2008 | 436,862 85 | 5 570% | 28,137 15 | 465,000 00 |
| 09/01/2009 | 475,261 90 | 5 620% | 59,738 10 | 535,000 00 |
| 09/01/2010 | 486,272 00 | 5 700% | 93,728 00 | 580,000 00 |
| 09/01/2011 | 494,962 50 | 5 720% | 130,037 50 | 625,000 00 |
| 09/01/2012 | 503,482 50 | 5 790% | 171,517 50 | 675,000 00 |
| 09/01/2013 | 508,341 00 | 5 870% | 216,659 00 | 725,000 00 |
| 09/01/2014 | - | - | - | - |
| 09/01/2015 | - | - | - | - |
| 09/01/2016 | - | - | - | - |
| 09/01/2017 | 514,549 20 | 5 980% | 420,450 80 | 935,000 00 |
| 09/01/2018 | 510,869 70 | 6 030% | 479,130 30 | 990,000 00 |
| 09/01/2019 | 504,524 80 | 6 050% | 535,475 20 | 1,040,000 00 |
| 09/01/2020 | 643,442 95 | 6 090% | 771,557 05 | 1,415,000 00 |
| 09/01/2021 | 438,677 00 | 6 130% | 591,323 00 | 1,030,000 00 |
| 09/01/2022 | 432,481 00 | 6 170% | 652,519 00 | 1,085,000 00 |
| 09/01/2023 | 427,474 30 | 6 200% | 717,525 70 | 1,145,000 00 |
| 09/01/2024 | 412,695 25 | 6 200% | 762,304 75 | 1,175,000 00 |
| 09/01/2025 | 405,703 20 | 6 210% | 824,296 80 | 1,230,000 00 |
| 09/01/2026 | 397,964 50 | 6 220% | 887,035 50 | 1,285,000 00 |
| 09/01/2027 | 587,274 60 | 6 230% | 1,432,725 40 | 2,020,000 00 |
| 09/01/2028 | 226,482 10 | 6 240% | 603,517 90 | 830,000 00 |
| 09/01/2029 | 212,073 30 | 6 260% | 617,926 70 | 830,000 00 |
| 09/01/2030 | 199,698 60 | 6 280% | 635,301 40 | 835,000 00 |
| 09/01/2031 | 186,847 95 | 6 300% | 648,152 05 | 835,000 00 |
| 09/01/2032 | 174,757 15 | 6 320% | 660,242 85 | 835,000 00 |
| 09/01/2033 | 163,384 45 | 6 340% | 671,615 55 | 835,000 00 |
| 09/01/2034 | 152,688 10 | 6 360% | 682,311 90 | 835,000 00 |
| 09/01/2035 | 142,643 05 | 6 380% | 692,356 95 | 835,000 00 |
| 09/01/2036 | 133,207 55 | 6 400% | 701,792 45 | 835,000 00 |
| **Total** | **$9,772,621.50** | **-** | **$14,687,378.50** | **$24,460,000.00** |

## Yield Statistics

| | |
|---|---|
| Bond Year Dollars | $129,097 05 |
| Average Life | 13 210 Years |
| Average Coupon | 11 3770058% |
| Net Interest Cost (NIC) | 11 4716305% |
| True Interest Cost (TIC) | 6 2666729% |
| Bond Yield for Arbitrage Purposes | 6 2705697% |
| All Inclusive Cost (AIC) | 6 4575316% |

## IRS Form 8038

| | |
|---|---|
| Net Interest Cost | 11 3770058% |
| Weighted Average Maturity | 13 210 Years |

**$9,772,622**

Richmond Community Redevelopment Agency
Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B
Capital Appreciation Bonds

# Pricing Summary

| Maturity | Type of Bond | Coupon | Yield | Issuance Value | Maturity Value | Price | Dollar Price |
|---|---|---|---|---|---|---|---|
| 09/01/2008 | Serial Zero | - | 5 570% | 436,862 85 | 465,000 00 | 93 949% | 436,862 85 |
| 09/01/2009 | Serial Zero | - | 5 620% | 475,261 90 | 535,000 00 | 88 834% | 475,261 90 |
| 09/01/2010 | Serial Zero | - | 5 700% | 486,272 00 | 580,000 00 | 83 840% | 486,272 00 |
| 09/01/2011 | Serial Zero | - | 5 720% | 494,962 50 | 625,000 00 | 79 194% | 494,962 50 |
| 09/01/2012 | Serial Zero | - | 5 790% | 503,482 50 | 675,000 00 | 74 590% | 503,482 50 |
| 09/01/2013 | Serial Zero | - | 5 870% | 508,341 00 | 725,000 00 | 70 116% | 508,341 00 |
| 09/01/2017 | Serial Zero | - | 5 980% | 514,549 20 | 935,000 00 | 55 032% | 514,549 20 |
| 09/01/2018 | Serial Zero | - | 6 030% | 510,869 70 | 990,000 00 | 51 603% | 510,869 70 |
| 09/01/2019 | Serial Zero | - | 6 050% | 504,524 80 | 1,040,000 00 | 48 512% | 504,524 80 |
| 09/01/2020 | Serial Zero | - | 6 090% | 643,442 95 | 1,415,000 00 | 45 473% | 643,442 95 |
| 09/01/2021 | Serial Zero | - | 6 130% | 438,677 00 | 1,030,000 00 | 42 590% | 438,677 00 |
| 09/01/2022 | Serial Zero | - | 6 170% | 432,481 00 | 1,085,000 00 | 39 860% | 432,481 00 |
| 09/01/2023 | Serial Zero | - | 6 200% | 427,474 30 | 1,145,000 00 | 37 334% | 427,474 30 |
| 09/01/2024 | Serial Zero | - | 6 200% | 412,695 25 | 1,175,000 00 | 35 123% | 412,695 25 |
| 09/01/2025 | Serial Zero | - | 6 210% | 405,703 20 | 1,230,000 00 | 32 984% | 405,703 20 |
| 09/01/2026 | Serial Zero | - | 6 220% | 397,964 50 | 1,285,000 00 | 30 970% | 397,964 50 |
| 09/01/2027 | Serial Zero | - | 6 230% | 587,274 60 | 2,020,000 00 | 29 073% | 587,274 60 |
| 09/01/2028 | Serial Zero | - | 6 240% | 226,482 10 | 830,000 00 | 27 287% | 226,482 10 |
| 09/01/2029 | Serial Zero | - | 6 260% | 212,073 30 | 830,000 00 | 25 551% | 212,073 30 |
| 09/01/2030 | Serial Zero | - | 6 280% | 199,698 60 | 835,000 00 | 23 916% | 199,698 60 |
| 09/01/2031 | Serial Zero | - | 6 300% | 186,847 95 | 835,000 00 | 22 377% | 186,847 95 |
| 09/01/2032 | Serial Zero | - | 6 320% | 174,757 15 | 835,000 00 | 20 929% | 174,757 15 |
| 09/01/2033 | Serial Zero | - | 6 340% | 163,384 45 | 835,000 00 | 19 567% | 163,384 45 |
| 09/01/2034 | Serial Zero | - | 6 360% | 152,688 10 | 835,000 00 | 18 286% | 152,688 10 |
| 09/01/2035 | Serial Zero | - | 6 380% | 142,643 05 | 835,000 00 | 17 083% | 142,643 05 |
| 09/01/2036 | Serial Zero | - | 6 400% | 133,207 55 | 835,000 00 | 15 953% | 133,207 55 |
| **Total** | - | - | - | **$9,772,621.50** | **$24,460,000.00** | - | **$9,772,621.50** |

## Bid Information

| | |
|---|---|
| Par Amount of Bonds | $9,772,621 50 |
| Gross Production | $9,772,621 50 |
| Total Underwriter's Discount (1 250%) | $(122,157 77) |
| Bid (98 750%) | 9,650,463 73 |
| Total Purchase Price | $9,650,463 73 |
| Bond Year Dollars | $129,097 05 |
| Average Life | 13 210 Years |
| Average Coupon | 11 3770058% |
| Net Interest Cost (NIC) | 11 4716305% |
| True Interest Cost (TIC) | 6 2666729% |

**$9,772,622**

Richmond Community Redevelopment Agency
Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B
Capital Appreciation Bonds

# Coverage Ratio

| Date | Total Revenues | Total D/S | Coverage |
|---|---|---|---|
| 09/01/2007 | - | - | - |
| 09/01/2008 | 469,316 00 | 465,000 00 | 1 0092817x |
| 09/01/2009 | 535,384 00 | 535,000 00 | 1 0007178x |
| 09/01/2010 | 581,832 00 | 580,000 00 | 1 0031586x |
| 09/01/2011 | 626,944 00 | 625,000 00 | 1 0031104x |
| 09/01/2012 | 675,943 00 | 675,000 00 | 1 0013970x |
| 09/01/2013 | 728,456 00 | 725,000 00 | 1 0047669x |
| 09/01/2014 | - | - | - |
| 09/01/2015 | - | - | - |
| 09/01/2016 | - | - | - |
| 09/01/2017 | 936,194 00 | 935,000 00 | 1 0012770x |
| 09/01/2018 | 993,630 00 | 990,000 00 | 1 0036667x |
| 09/01/2019 | 1,040,253 00 | 1,040,000 00 | 1 0002433x |
| 09/01/2020 | 1,415,426 00 | 1,415,000 00 | 1 0003011x |
| 09/01/2021 | 1,033,517 00 | 1,030,000 00 | 1 0034146x |
| 09/01/2022 | 1,087,442 00 | 1,085,000 00 | 1 0022507x |
| 09/01/2023 | 1,147,673 00 | 1,145,000 00 | 1 0023345x |
| 09/01/2024 | 1,176,551 00 | 1,175,000 00 | 1 0013200x |
| 09/01/2025 | 1,231,528 00 | 1,230,000 00 | 1 0012423x |
| 09/01/2026 | 1,287,470 00 | 1,285,000 00 | 1 0019222x |
| 09/01/2027 | 2,024,826 00 | 2,020,000 00 | 1 0023891x |
| 09/01/2028 | 832,680 00 | 830,000 00 | 1 0032289x |
| 09/01/2029 | 833,480 00 | 830,000 00 | 1 0041928x |
| 09/01/2030 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2031 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2032 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2033 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2034 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2035 | 836,814 00 | 835,000 00 | 1 0021725x |
| 09/01/2036 | 836,814 00 | 835,000 00 | 1 0021725x |
| **Total** | **$24,516,243.00** | **$24,460,000.00** | - |

**$9,772,622**

Richmond Community Redevelopment Agency
Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B
Capital Appreciation Bonds

# Detail Costs Of Issuance

**Dated 07/12/2007 | Delivered 07/12/2007**

## COSTS OF ISSUANCE DETAIL

| | |
|---|---|
| Financial Advisor | $7,800 00 |
| MBIA Bank Counsel | $5,000 00 |
| Bond Counsel | $80,000 00 |
| Rating Agency | $6,200 00 |
| Printer | $1,000 00 |
| Trustee | $2,000 00 |
| Miscellaneous | $4,308 73 |
| **TOTAL** | **$106,308.73** |

**$9,772,622**

Richmond Community Redevelopment Agency
Housing Set-Aside Taxable Tax Allocation Bonds, Series 2007B
Capital Appreciation Bonds

# Proof of Reserve Fund Requirement

| Date | Principal | Interest | TOTAL P+I |
|---|---|---|---|
| 09/01/2007 | - | - | - |
| 09/01/2008 | 436,862 85 | 28,137 15 | 465,000 00 |
| 09/01/2009 | 475,261 90 | 59,738 10 | 535,000 00 |
| 09/01/2010 | 486,272 00 | 93,728 00 | 580,000 00 |
| 09/01/2011 | 494,962 50 | 130,037 50 | 625,000 00 |
| 09/01/2012 | 503,482 50 | 171,517 50 | 675,000 00 |
| 09/01/2013 | 508,341 00 | 216,659 00 | 725,000 00 |
| 09/01/2017 | 514,549 20 | 420,450 80 | 935,000 00 |
| 09/01/2018 | 510,869 70 | 479,130 30 | 990,000 00 |
| 09/01/2019 | 504,524 80 | 535,475 20 | 1,040,000 00 |
| 09/01/2020 | 643,442 95 | 771,557 05 | 1,415,000 00 |
| 09/01/2021 | 438,677 00 | 591,323 00 | 1,030,000 00 |
| 09/01/2022 | 432,481 00 | 652,519 00 | 1,085,000 00 |
| 09/01/2023 | 427,474 30 | 717,525 70 | 1,145,000 00 |
| 09/01/2024 | 412,695 25 | 762,304 75 | 1,175,000 00 |
| 09/01/2025 | 405,703 20 | 824,296 80 | 1,230,000 00 |
| 09/01/2026 | 397,964 50 | 887,035 50 | 1,285,000 00 |
| 09/01/2027 | 587,274 60 | 1,432,725 40 | 2,020,000 00 |
| 09/01/2028 | 226,482 10 | 603,517 90 | 830,000 00 |
| 09/01/2029 | 212,073 30 | 617,926 70 | 830,000 00 |
| 09/01/2030 | 199,698 60 | 635,301 40 | 835,000 00 |
| 09/01/2031 | 186,847 95 | 648,152 05 | 835,000 00 |
| 09/01/2032 | 174,757 15 | 660,242 85 | 835,000 00 |
| 09/01/2033 | 163,384 45 | 671,615 55 | 835,000 00 |
| 09/01/2034 | 152,688 10 | 682,311 90 | 835,000 00 |
| 09/01/2035 | 142,643 05 | 692,356 95 | 835,000 00 |
| 09/01/2036 | 133,207 55 | 701,792 45 | 835,000 00 |
| **Total** | **$9,772,621.50** | **$14,687,378.50** | **$24,460,000.00** |

## PROOF OF RESERVE FUND

### MAXIMUM PERIODIC DEBT SERVICE

| | |
|---|---|
| Omit First Period? | Yes |
| 100 % of the Maximum Periodic Debt Service | 2,020,000 00 |

### AVERAGE PERIODIC DEBT SERVICE

| | |
|---|---|
| Total P+I | 24,460,000 00 |
| Bond Years (Delivery Date) | 29 14 |
| 125 % of the Average Periodic Debt Service | 1,049,385 07 |

### PERCENT OF PAR

| | |
|---|---|
| 10 % of Par | 977,262 15 |

### RESERVE REQUIREMENT

| | |
|---|---|
| Proof's Requirement | 977,262 15 |

**$65,530,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

# CERTIFICATE OF THE RICHMOND COMMUNITY REDEVELOPMENT AGENCY PURSUANT TO GUARANTY AGREEMENT

I, Steve Duran, Executive Director of the Richmond Community Redevelopment Agency (the "Agency"), pursuant to Section 2.03 of that certain Guaranty Agreement, dated May 1, 2004 (the "Guaranty Agreement"), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee , hereby certify as follows:

No Event of Default under the Guaranty Agreement, under any Senior Debt Instrument, Parity Debt Instrument or Subordinate Debt Instrument or under any other instrument secured by tax increment revenues of the Agency with respect to the Agency's merged redevelopment project areas has occurred or is continuing, and the Agency is otherwise in compliance with all covenants set forth in the Guaranty Agreement.

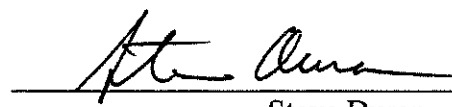
There has previously been delivered to you the report of RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets showing that the Annual Coverage Factor is at least equal to 1.35 and the Maximum Annual Coverage Factor is at least equal to 1.10, as required by Section 2.03(b) of the Guaranty Agreement.

Attached hereto with respect to the issuance of the above captioned bonds is the (i) Indenture of Trust and the First Supplemental Indenture of Trust, each dated as of July 1, 2007, relating to the issuance of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A, and (ii) Indenture of Trust and the First Supplemental Indenture of Trust, each dated as of July 1, 2007, relating to the issuance of the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable), 2007 Series B, all by and between the Agency and the Trustee, as required by Section 2.03(c) of the Guaranty Agreement.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Guaranty Agreement.

Dated: July 12, 2007.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY



Steve Duran
Executive Director

RBC Capital Markets

RBC Dain Rauscher Inc.
777 S. Figueroa St.
Suite 850
Los Angeles, CA 90017-5852

July 9, 2007

Mr. Steve Duran
Executive Director
Richmond Redevelopment Agency
1401 Marina Way South
Richmond, CA 94804

Dear Steve:

Attached please find a coverage analysis for the subordinate AWC Loan. There are two tests under the AWC Loan: (1) Using current revenues 2007/08 coverage must be 1.1x maximum debt service (2019/20), and (2) Using projected revenues and debt service for that year coverage must meet a 1.35x test. Pledged revenues are defined as tax increment from the Post 2004 areas only, which is a subset of the Project Areas contained within the Richmond Merged Project Area.

Since the Agency has merged the Project Areas it is necessary to apportion debt service on the Series A 2004 and Series A 2007 Bonds between the pre and the post 2004 areas. For purposes of the Series A 2004 Bonds we have used the same ratio as when those bonds were issued. For the Series A 2007 Bonds we have used the factor that the post 2004 areas generate (69.75% of the 2007/08 pledged revenues), according to information provided by Fraser & Associates, the Agency's fiscal consultant. This apportionment method works through 2018/19. However, in 2019/20, there is a balloon payment of approximately $2.8 million due on the Series A 2004 bonds, due to a one year extension of tax increment for the pre 2004 areas. Absent the extension, debt service in 2019/20 would have been roughly the same amount as in prior years. Consequently, the substantial increase in debt service for that year is due to the additional revenues from the pre 2004 areas.

Based on the above methodology and the calculation on the following tables, the Agency meets the coverage test required for the subordinate AWC Loan. If you have any changes please contact either Bob Williams or Darryl Street, as I will be forwarding this material to Matthew Wright at Comerica Bank.

Sincerely,

Richard Clark
Director
RBC Capital Markets

Cc: Bob Williams
John Knox
Don Fraser
Darryl Street

MEMBER NYSE/SIPC. PRODUCTS AND SERVICES OFFERED BY RBC DAIN RAUSCHER INC.

$ 65,400,000
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A
2018/2019 Apportionment (1)

| | Current | Projected |
|---|---|---|
| Post 2004 Available Revenues | $ 9,274,000 | $ 14,199,572 |
| Series 2003 | $ 2,747,230 | $ 2,747,230 |
| Series A 2004 | $ 360,477 | $ 360,477 |
| AWC | $ 530,000 | $ 530,000 |
| Series 2007 A | $ 2,740,626 | $ 2,740,626 |
| Coverage | 1.45 x | 2.23 x |
| | | |
| Pre 2004 Available Revenues | $ 4,021,000 | $ 4,814,849 |
| Series A 2000 | $ 104,675 | $ 104,675 |
| Series A 2004 | $ 2,367,420 | $ 2,367,420 |
| Series A 2007 | $ 1,188,587 | $ 1,188,587 |
| Coverage | 1.10 x | 1.32 x |

(1) Debt service in fiscal year 2019-20 paid with tax increment from 2018-19.

**$ 65,400,000**
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

**1.1x Coverage Ratio (Current - Post 2004 Area)**

| Date | Total Revenues | Series 2003 | TI (Taxable) Series A | AWC Loan | Series 2007A | Total Debt Service | Coverage |
|---|---|---|---|---|---|---|---|
| 9/1/2007 | 9,274,000.00 | 1,515,770.50 | 359,821.97 | 530,000.00 | - | 2,405,592.47 | 3.86 |
| 9/1/2008 | 9,274,000.00 | 2,295,770.50 | 358,104.99 | 530,000.00 | 2,969,768.36 | 6,153,643.85 | 1.51 |
| 9/1/2009 | 9,274,000.00 | 2,298,252.50 | 359,131.80 | 530,000.00 | 2,967,706.87 | 6,155,091.17 | 1.51 |
| 9/1/2010 | 9,274,000.00 | 2,297,413.50 | 359,876.23 | 530,000.00 | 2,974,844.27 | 6,162,134.00 | 1.50 |
| 9/1/2011 | 9,274,000.00 | 2,293,085.50 | 357,460.90 | 530,000.00 | 2,979,759.94 | 6,160,306.34 | 1.51 |
| 9/1/2012 | 9,274,000.00 | 2,299,125.50 | 357,840.12 | 530,000.00 | 2,982,453.89 | 6,169,419.51 | 1.50 |
| 9/1/2013 | 9,274,000.00 | 2,297,128.00 | 357,976.05 | 530,000.00 | 2,982,926.11 | 6,168,030.16 | 1.50 |
| 9/1/2014 | 9,274,000.00 | 2,296,378.50 | 357,870.46 | 530,000.00 | 2,981,176.60 | 6,165,425.56 | 1.50 |
| 9/1/2015 | 9,274,000.00 | 2,296,311.50 | 360,477.44 | 530,000.00 | 2,994,642.87 | 6,181,431.81 | 1.50 |
| 9/1/2016 | 9,274,000.00 | 2,292,329.50 | 359,828.39 | 530,000.00 | 3,005,146.84 | 6,187,304.73 | 1.50 |
| 9/1/2017 | 9,274,000.00 | 2,295,689.50 | 358,786.41 | 530,000.00 | 3,012,688.51 | 6,197,164.42 | 1.50 |
| 9/1/2018 | 9,274,000.00 | 2,295,941.50 | 357,592.17 | 530,000.00 | 2,999,830.37 | 6,183,364.04 | 1.50 |
| 9/1/2019 | 9,274,000.00 | 2,747,230.00 | 360,477.44 | 530,000.00 | 2,740,625.51 | 6,378,332.95 | 1.45 |

**$ 65,400,000**
Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A

**1.35x Coverage Ratio (Projected - Post 2004 Area)**

| Date | Total Revenues | Series 2003 | TI (Taxable) Series A | AWC Loan | Series 2007A | Total Debt Service | Coverage |
|---|---|---|---|---|---|---|---|
| 9/1/2007 | 9,728,820.55 | 1,515,770.50 | 359,821.97 | 530,000.00 | - | 2,405,592.47 | 4.04 |
| 9/1/2008 | 10,221,915.34 | 2,295,770.50 | 358,104.99 | 530,000.00 | 2,969,768.36 | 6,153,643.85 | 1.66 |
| 9/1/2009 | 10,746,902.27 | 2,298,252.50 | 359,131.80 | 530,000.00 | 2,967,706.87 | 6,155,091.17 | 1.75 |
| 9/1/2010 | 11,109,389.11 | 2,297,413.50 | 359,876.23 | 530,000.00 | 2,974,844.27 | 6,162,134.00 | 1.80 |
| 9/1/2011 | 11,464,687.46 | 2,293,085.50 | 357,460.90 | 530,000.00 | 2,979,759.94 | 6,160,306.34 | 1.86 |
| 9/1/2012 | 11,827,554.06 | 2,299,125.50 | 357,840.12 | 530,000.00 | 2,982,453.89 | 6,169,419.51 | 1.92 |
| 9/1/2013 | 12,198,107.32 | 2,297,128.00 | 357,976.05 | 530,000.00 | 2,982,926.11 | 6,168,030.16 | 1.98 |
| 9/1/2014 | 12,576,470.22 | 2,296,378.50 | 357,870.46 | 530,000.00 | 2,981,176.60 | 6,165,425.56 | 2.04 |
| 9/1/2015 | 12,918,460.65 | 2,296,311.50 | 360,477.44 | 530,000.00 | 2,994,642.87 | 6,181,431.81 | 2.09 |
| 9/1/2016 | 13,267,659.84 | 2,292,329.50 | 359,828.39 | 530,000.00 | 3,005,146.84 | 6,187,304.73 | 2.14 |
| 9/1/2017 | 13,571,841.27 | 2,295,689.50 | 358,786.41 | 530,000.00 | 3,012,688.51 | 6,197,164.42 | 2.19 |
| 9/1/2018 | 13,882,445.05 | 2,295,941.50 | 357,592.17 | 530,000.00 | 2,999,830.37 | 6,183,364.04 | 2.25 |
| 9/1/2019 | 14,199,571.77 | 2,747,230.00 | 360,477.44 | 530,000.00 | 2,740,625.51 | 6,378,332.95 | 2.23 |

This Preliminary Official Statement and the information contained herein are subject to completion or amendment Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction

**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 19, 2007**

**Ratings: S&P: "AAA" (Insured)**
**"A-" (Underlying)**
**Fitch: "Aaa" (Insured)**
**See "RATINGS" herein**

**NEW ISSUE—BOOK ENTRY ONLY**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes In the further opinion of Bond Counsel, interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds See "TAX MATTERS – Series 2007A Bonds "*

*In the opinion of Bond Counsel, interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds See "TAX MATTERS – Series 2007B Bonds" herein*

# RICHMOND COMMUNITY REDEVELOPMENT AGENCY
## (Richmond, California)

**$68,000,000***
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**
**(Reset Auction Mode Securities – RAMS™**)**

**$9,600,000***
**Housing Set-Aside**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**(Taxable) 2007 Series B**

**Dated:** Date of Delivery

**Due:** September 1, as shown on the inside front cover

**This cover page contains information for quick reference only. It is not intended to be a summary of all factors relevant to an investment in the Bonds. Investors should read the entire Official Statement before making any investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.**

The Subordinate Tax Allocation Bonds, 2007 Series A (Reset Auction Mode Securities – RAMS™) (the "Series 2007A Bonds") are being issued by the Richmond Community Redevelopment Agency (the "Agency") in accordance with an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture"), each by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "Non-Housing Trustee" or the "Trustee") The Housing Set-Aside Subordinate Tax Allocation Bonds, (Taxable) 2007 Series B (the "Series 2007B Bonds," and together with the Series 2007A Bonds, the "Bonds") are being issued by the Agency in accordance with an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2007 (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture"), by and between the Agency and Union Bank of California, N.A , San Francisco, California, as trustee (the "Housing Trustee" or the "Trustee") (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures") The proceeds of the Series 2007A Bonds will be used to (i) pay the amount of $24,000,000 to the City of Richmond (the "City") to assist with the financing of certain portions of the Civic Center Project, (ii) finance certain redevelopment projects of the Agency, and (iii) pay certain costs related to the issuance of the Series 2007A Bonds The proceeds of the Series 2007B Bonds will be used to (i) finance certain low and moderate income housing activities of the Agency, and (ii) pay certain costs related to the issuance of the Series 2007B Bonds See "ESTIMATED SOURCES AND USES OF FUNDS "

The Bonds will each be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co , as nominee of The Depository Trust Company, New York, New York ("DTC") DTC will act as securities depository for the Bonds, as more fully described in APPENDIX D The Series 2007A Bonds will be dated the date of their initial execution and delivery and will be issued initially as Reset Auction Mode Securities - RAMS™ The Series 2007A Bonds will be issued only in registered form in denominations of $25,000 or any integral multiple thereof and will bear interest at an initial Auction Period Rate to and including the first ARB Interest Payment Date as described herein Thus Official Statement only describes the terms of the Series 2007A Bonds while they bear interest at an Auction Period Rate See "THE 2007A BONDS " The Series 2007B Bonds will be dated the date of their initial execution and delivery and will be issued as capital appreciation bonds The Series 2007B Bonds will be issued only in registered form in increments of $5,000 Maturity Value or any integral multiple thereof The Series 2007B Bonds will not bear current interest, but will increase in value by the accumulation of earned interest from their date of delivery to their respective Maturity Values at maturity, as set forth on the inside cover Interest on the Series 2007B Bonds will be compounded semiannually at such rate on each March 1 and September 1, commencing September 1, 2007 No payments will be made on the Series 2007B Bonds prior to the maturity thereof. See "THE 2007B BONDS "

The Agency has entered into an interest rate swap (the "2007 Swap") with respect to the Series 2007A Bonds pursuant to a Master Agreement, dated June __, 2007, as supplemented by the Schedule thereto, dated June __, 2007, and evidenced by the Confirmation, dated June __, 2007, each between the Agency and Royal Bank of Canada (the "Swap Provider") (collectively, the "Swap Agreement")

**The Bonds are subject to redemption prior to their respective maturities under certain conditions, as described herein. See "THE 2007A BONDS – Redemption for the Series 2007A Bonds." The 2007B Bonds are not subject to redemption prior to their respective maturities. See "THE 2007B BONDS – Redemption for the Series 2007B Bonds."**

The Series 2007A Bonds are limited obligations of the Agency and are payable from, and will be secured by, a pledge of certain tax revenues and certain other funds as provided in the Non-Housing Indenture The Series 2007B Bonds are limited obligations of the Agency and are payable from, and will be secured by, a pledge of certain tax revenues and certain other funds as provided in the Housing Indenture

The Agency's obligation to make certain debt service payments on the Bonds and Parity Obligations under the Non-Housing Indenture (the "Non-Housing Debt Service Payments") and certain debt service payments on the Bonds and Parity Obligations under the Housing Indenture (the "Housing Debt Service Payments," and together with the Non-Housing Debt Service Payments, the "Debt Service Payments") are secured by a pledge of certain tax increment revenues derived from taxable property within the Agency's merged redevelopment project areas, identified in the Indentures as the "Merged Project Area " See "TAX ALLOCATION FINANCING," "SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Tax Revenues" and "SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Tax Revenues "

Certain tax increment revenues derived from the Harbour Project Area, located within the Merged Project Area, are subject to a lien prior and senior to the lien of the Non-Housing Indenture Additionally, the Non-Housing Debt Service Payments are payable from certain tax increment revenues derived from the Merged Project Area on a basis subordinate to the lien of loan and guaranty agreements entered into in connection with the bonds issued on behalf of the Agency by the Richmond Joint Powers Financing Authority in 2000 and 2003 (collectively, the "Senior Merged Area Obligations") See "SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Tax Revenues" and "– Outstanding Non-Housing Senior Obligations "

The Housing Debt Service Payments are payable from certain tax increment revenues derived from the Merged Project Area on a basis subordinate to the lien of the Pre-2004 Loan Agreement, but only with respect to the payments thereunder required to be paid from amounts allocable to the Agency's Housing Fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable) (the "Senior Merged Area Housing Obligations") See "SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Tax Revenues" and "– Outstanding Housing Senior Obligations "

**The scheduled payment of principal of (or, in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds when due will be insured by a financial guaranty insurance policy and the Series 2007A Surety Bond to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation (the "Insurer") as described herein. Certain payment obligations of the Agency under the Swap Agreement will be insured by an Interest Rate Swap Insurance Policy to be issued simultaneously by the Insurer with the delivery of the Series 2007A Bonds. See "DESCRIPTION OF THE INSURER."**




**THE OBLIGATION OF THE AGENCY TO PAY DEBT SERVICE ON THE BONDS IS LIMITED AS SET FORTH HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY OF RICHMOND, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS; AND NEITHER THE CITY OF RICHMOND, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS ARE LIABLE THEREON. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

The Bonds are being issued for sale to the Richmond Joint Powers Financing Authority (the "Authority") and will be simultaneously resold by the Authority to the Underwriter

*The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP, Bond and Disclosure Counsel to the Agency, and to certain other conditions Certain matters in connection with this offering are subject to the approval of the legality thereof by the City Attorney of the City of Richmond, as counsel for the Authority, the City and the Agency, by Goldfarb & Lipman LLP, as counsel to the Agency and by Lofton & Jennings, as counsel to the Underwriter It is expected that the Bonds in book-entry only form will be available for delivery through the facilities of DTC in New York, New York on or about July 12, 2007*

## RBC CAPITAL MARKETS

Dated June __, 2007

* Preliminary, subject to change

** RAMS™ is a trademark of RBC Dain Rauscher Inc

## MATURITY SCHEDULE

**$68,000,000***
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**
**(Reset Auction Mode Securities – RAMS™**)**

| Maturity (September 1) | Principal Amount | Initial Interest Rate | Price | CUSIP Number |
|---|---|---|---|---|
| 2036 | | | 100% | |

**$9,600,000***
**Housing Set-Aside**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**(Taxable) 2007 Series B**

| Maturity (September 1) | Denominational Amount | Accretion Rate | Yield to Maturity | Maturity Value | CUSIP Number |
|---|---|---|---|---|---|
| 2007 | | | | | |
| 2008 | | | | | |
| 2009 | | | | | |
| 2010 | | | | | |
| 2011 | | | | | |
| 2012 | | | | | |
| 2013 | | | | | |
| 2014 | | | | | |
| 2015 | | | | | |
| 2016 | | | | | |
| 2017 | | | | | |
| 2018 | | | | | |
| 2019 | | | | | |
| 2020 | | | | | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| 2025 | | | | | |
| 2026 | | | | | |
| 2027 | | | | | |
| 2028 | | | | | |
| 2029 | | | | | |
| 2030 | | | | | |
| 2031 | | | | | |
| 2032 | | | | | |
| 2033 | | | | | |
| 2034 | | | | | |
| 2035 | | | | | |
| 2036 | | | | | |

* Preliminary, subject to change.
** RAMS™ is a trademark of RBC Dain Rauscher Inc.

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**AND**
**CITY OF RICHMOND**

---

**GOVERNING BOARD/CITY COUNCIL**

Gayle McLaughlin
*Chair/Mayor*

Nathaniel Bates
*Vice Chair/Vice Mayor*

Maria Viramontes
*Board Member/Councilmember*

Tom Butt
*Board Member/Councilmember*

Ludmyrna Lopez
*Board Member/Councilmember*

John E. Marquez
*Board Member/Councilmember*

Jim Rogers
*Board Member/Councilmember*

Harpreet Sandhu
*Board Member/Councilmember*

Tony K. Thurmond
*Board Member/Councilmember*

**AGENCY AND CITY ADMINISTRATION**

William A. Lindsay
*City Manager and CEO of the Agency*

James C. Goins
*Finance Director and Treasurer of the Agency*

Steve Duran
*Community & Economic Development Director and Executive Director of the Agency*

Louise Renne
*Interim City Attorney and Agency Attorney*

**PROFESSIONAL SERVICES**

***Bond Counsel and Disclosure Counsel***
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

***Agency Counsel***
Goldfarb & Lipman LLP
Oakland, California

***Fiscal Consultant***
Fraser & Associates
Roseville, California

***Financial Advisor***
Tamalpais Advisors, Inc.
Sausalito, California

***Trustee and Auction Agent***
Union Bank of California, N.A.
San Francisco, California

[THIS PAGE INTENTIONALLY LEFT BLANK]

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the Agency or the City. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Agency or the City since the date hereof. All summaries contained herein of the Indenture and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Agency or the City to give any information or to make any representations, other than those contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

When used in this Official Statement and in any continuing disclosure by the Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Agency, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect", "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Agency since the date hereof.

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter") has provided the following sentence for inclusion in this official statement. The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the Series 2007A Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

[THIS PAGE INTENTIONALLY LEFT BLANK]

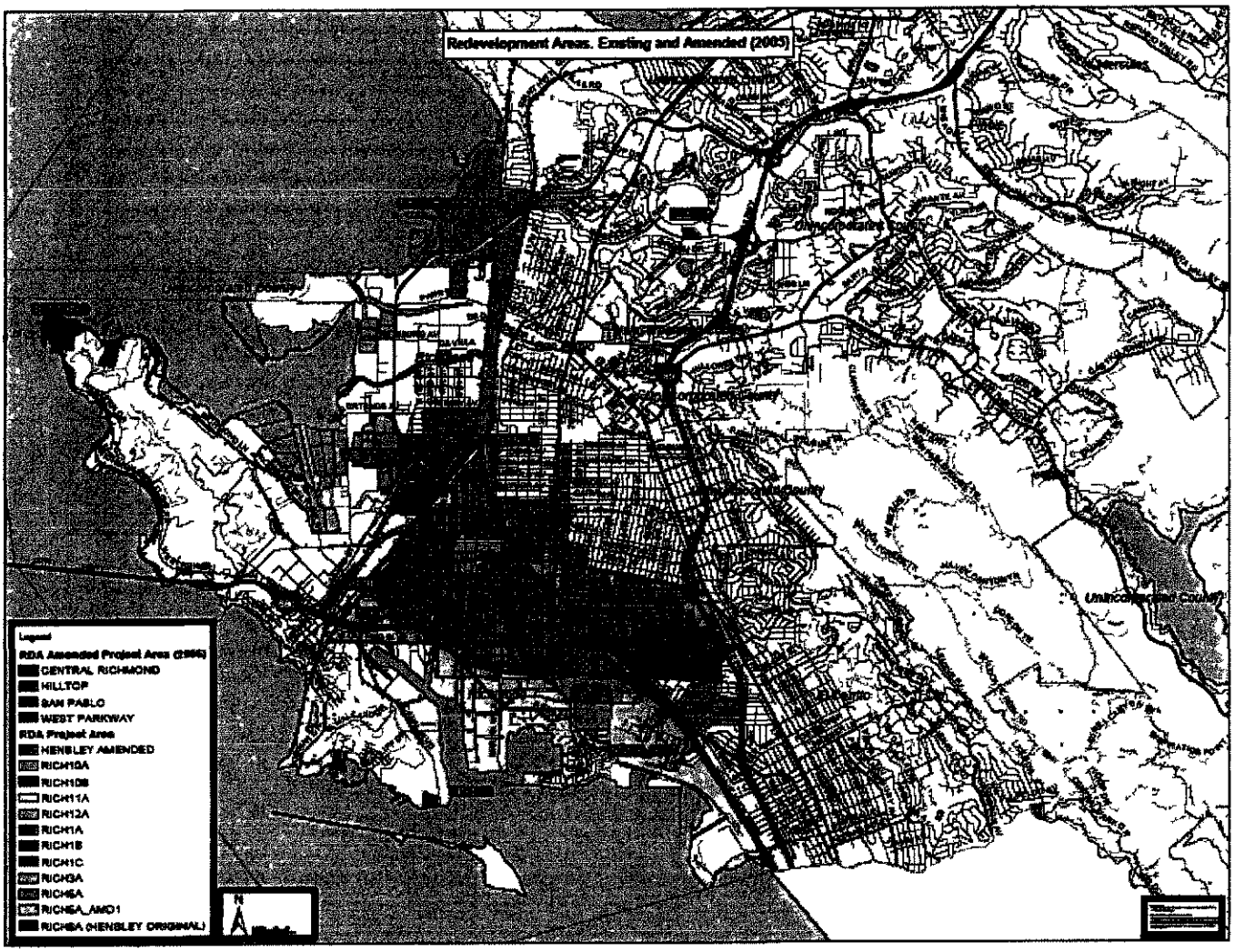
## TABLE OF CONTENTS


| | Page |
|---|---|
| INTRODUCTION | 1 |
| Legal Authority | 1 |
| Financing Purpose | 2 |
| Tax Allocation Financing | 2 |
| Security for the Bonds | 2 |
| Fiscal Consultant Report | 4 |
| Other Information | 5 |
| PURPOSE OF THE BONDS | 5 |
| ESTIMATED SOURCES AND USES OF FUNDS | 6 |
| THE 2007A BONDS | 7 |
| Authority for Issuance | 7 |
| Maturity Date; Registered Ownership | 7 |
| General Terms of Auction Rate Bonds | 7 |
| Payments on Auction Rate Bonds | 8 |
| Calculation of Auction Rate | 8 |
| Auction Periods | 8 |
| Changes in Auction Period or Auction Date | 10 |
| Initial Auction Agent, Broker-Dealer and Market Agent | 11 |
| Redemption for the Series 2007A Bonds | 12 |
| Notice of Redemption | 13 |
| CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES | 15 |
| Role of Broker-Dealer | 15 |
| Bidding by Initial Broker-Dealer | 16 |
| Auction Dealer Fees | 17 |
| Price Talk | 17 |
| All-or-Nothing Bids | 17 |
| No Assurances Regarding Auction Outcomes | 17 |
| Deadlines/Auction Periods | 18 |
| Existing Holder's Ability to Resell Auction Rate Securities May Be Limited | 18 |
| Resignation of the Auction Agent Under the Auction Agent Agreement or the Broker-Dealer Under the Broker-Dealer Agreement Could Impact the Ability to Hold Auctions | 19 |
| Securities and Exchange Commission Settlements | 19 |
| THE 2007B BONDS | 19 |
| Authority for Issuance | 19 |
| Description of the Series 2007B Bonds | 19 |
| Redemption for the Series 2007B Bonds | 21 |
| TAX ALLOCATION FINANCING | 21 |
| General | 21 |
| Allocation of Taxes | 22 |
| SECURITY FOR THE SERIES 2007A BONDS | 23 |
| Pledge of Subordinate Non-Housing Pledged Tax Revenues | 23 |
| Non-Housing Debt Service Reserve Account | 24 |
| Outstanding Non-Housing Senior Obligations | 25 |
| Outstanding Non-Housing Parity Obligations | 27 |
| Additional Non-Housing Bonds and Other Non-Housing Parity Obligations | 27 |
| Subordinated Non-Housing Obligations | 29 |
| SECURITY FOR THE SERIES 2007B BONDS | 29 |

Pledge of Subordinate Housing Pledged Tax Revenues ..... 29
Housing Debt Service Reserve Account ..... 30
Outstanding Housing Senior Obligations ..... 31
Outstanding Housing Parity Obligations ..... 32
Additional Housing Bonds and Other Housing Parity Obligations ..... 32
Subordinated Housing Obligations ..... 33
DESCRIPTION OF THE INSURER ..... 34
THE AGENCY ..... 38
Financial Statements ..... 38
Swap Policy ..... 38
Governance and Administration ..... 38
Recent Ratings Changes ..... 39
THE MERGED PROJECT AREA ..... 40
Redevelopment Plans ..... 40
Merger and Amendment of the Project Areas ..... 40
Redevelopment Plan Limitations and Land Usage ..... 41
The Constituent Project Areas ..... 43
Tax Collection Agreement ..... 48
Taxable Values and Tax Increment Revenues ..... 48
PROJECTED DEBT SERVICE COVERAGE ..... 53
Statement of Direct and Overlapping Debt ..... 58
BOND OWNERS' RISKS ..... 60
Concentration of Tax Base ..... 60
Estimates of Tax Increment Revenues ..... 60
Appeals and Other Reductions to Assessed Values ..... 60
Bankruptcy and Foreclosure ..... 61
Investment Risk ..... 62
Development Risks ..... 62
Earthquake Risks ..... 62
Brownfields ..... 63
Levy and Collection of Taxes ..... 63
Reductions in Inflationary Rate ..... 63
State Budgets ..... 63
Parity Debt ..... 64
Changes in the Law ..... 64
Hazardous Substances ..... 65
LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS ..... 65
Article XIIIA of the California Constitution ..... 65
Article XIIIB of the California Constitution ..... 66
Articles XIIIC and XIIID of the California Constitution ..... 67
Proposition 87 ..... 67
Further Initiatives ..... 68
Property Tax Collection Procedures ..... 68
Unitary Property ..... 70
Low and Moderate Income Housing Fund ..... 71
Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290) ..... 72
SB 211 ..... 73
TAX MATTERS ..... 73
Series 2007A Bonds ..... 74
Series 2007B Bonds ..... 75
Tax Status of the Series 2007B Bonds ..... 76

Sale and Exchange of Series 2007B Bonds ..... 76
Foreign Investors ..... 76
Circular 230 ..... 77
NO LITIGATION ..... 77
THE AUTHORITY ..... 77
UNDERWRITING ..... 77
CONTINUING DISCLOSURE ..... 78
APPROVAL OF LEGALITY ..... 78
FINANCIAL ADVISOR ..... 78
RATINGS ..... 79
MISCELLANEOUS ..... 79
APPENDIX A ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND ..... A-1
APPENDIX B SUMMARY OF THE NON-HOUSING INDENTURE ..... B-1
APPENDIX C SUMMARY OF THE HOUSING INDENTURE ..... C-1
APPENDIX D BOOK ENTRY ONLY SYSTEM ..... D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT ..... E-1
APPENDIX F PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS ..... F-1
APPENDIX G SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES ..... G-1
APPENDIX H FISCAL CONSULTANT REPORT ..... H-1
APPENDIX I BASIC FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDING JUNE 30, 2006 ..... I-1
APPENDIX J AUCTION PROCEDURES ..... J-1
APPENDIX K TABLE OF ACCRETED VALUES ..... K-1

# MERGED PROJECT AREA MAP



# OFFICIAL STATEMENT

## RICHMOND COMMUNITY REDEVELOPMENT AGENCY

**$68,000,000*
Subordinate Tax Allocation Bonds
(Merged Project Areas)
2007 Series A**

**(Reset Auction Mode Securities – RAMS™**)**

**$9,600,000*
Housing Set-Aside
Subordinate Tax Allocation Bonds
(Merged Project Areas)
(Taxable) 2007 Series B**

## INTRODUCTION

*This Introduction is subject in all respects to the more complete information and definitions contained elsewhere in this Official Statement and the offering of the Bonds to potential purchasers is made only by means of the entire Official Statement. Investors are instructed to view this entire Official Statement as well as the documents summarized in the Appendices hereto prior to making an investment decision. Capitalized terms used but not defined in this Official Statement are defined in Appendix B and Appendix C hereto.*

The purpose of this Official Statement, which includes the cover page through the Appendices hereto (collectively, the "Official Statement"), is to provide certain information concerning the Richmond Community Redevelopment Agency (the "Agency") and the issuance by the Agency of $68,000,000* aggregate principal amount of its Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Series 2007A Bonds") (Reset Auction Mode Securities – RAMS™**) and $9,600,000* aggregate principal amount of its Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas), (Taxable) 2007 Series B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds").

### Legal Authority

The Agency is a redevelopment agency organized and existing under the Community Redevelopment Law, being Part 1, commencing with Section 33000, of Division 1 of the California Health and Safety Code (the "Redevelopment Law").

The Bonds are being issued by the Agency in accordance with the Redevelopment Law and pursuant to a resolution of the Agency adopted on June 5, 2007 (the "Resolution"). The Series 2007A Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "Non-Housing Trustee" or the "Trustee"), as supplemented by a First Supplemental Indenture (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture") between the Agency and the Non-Housing Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), by and between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "Housing Trustee" or the "Trustee"), as supplemented by a First Supplemental Indenture

---

* Preliminary, subject to change.
** RAMS™ is a trademark of RBC Dain Rauscher Inc.

(the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture") between the Agency and the Housing Trustee (the Housing Indenture and the Non-Housing Indenture are collectively referred to herein as the "Indentures"). See "THE BONDS."

**Financing Purpose**

Series 2007A Bonds. The proceeds of the Series 2007A Bonds will be used to (i) pay the amount of $24,000,000 to the City of Richmond (the "City"), consisting of approximately $8,000,000 as prepaid rent to the City for Agency office space in the new Civic Center and approximately $16,000,000 toward the cost of certain other components of the Civic Center Project, (ii) finance certain redevelopment projects of the Agency; and (iii) pay certain costs related to the issuance of the Series 2007A Bonds.

Series 2007B Bonds. The proceeds of the Series 2007B Bonds will be used to (i) finance certain low and moderate income housing activities of the Agency and (ii) pay certain costs related to the issuance of the Series 2007B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

**Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. Pursuant to the Redevelopment Law, the "base roll" is established by determining the taxable value of property within a project area last equalized prior to adoption of a redevelopment plan by a redevelopment agency. Except for any period during which the taxable value drops below the base year level, the taxing agency thereafter receives the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected on any increase in taxable value over the base roll (commonly known as "tax increment revenues") are allocated to a redevelopment agency and, subject to certain limitations discussed herein, may be pledged by the redevelopment agency to the repayment of indebtedness incurred in financing or refinancing a redevelopment project. Under Section 33334.2 and Section 33334.6 of the Redevelopment Law, redevelopment agencies are generally required, unless certain annual findings are made, to set aside 20% of all tax increment revenues allocated annually in a low- and moderate-income housing fund to be used within the jurisdiction of the agency to increase and improve the supply of low- and moderate-income housing. See "SECURITY FOR THE SERIES 2007A BONDS" and "SECURITY FOR THE SERIES 2007B BONDS."

**Security for the Bonds**

Security for the 2007A Bonds. The Series 2007A Bonds and any Additional Non-Housing Bonds (as defined below) and other Non-Housing Parity Obligations (as defined below) are equally secured by and are payable from an exclusive pledge of Subordinate Non-Housing Pledged Tax Revenues (as defined below), all moneys deposited in the Non-Housing Special Fund (as defined below) (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Non-Housing Redemption Fund (as defined below). The Subordinate Non-Housing Pledged Tax Revenues, so long as any Non-Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Non-Housing Bonds (as defined below) have occurred, shall be deposited by the Agency in the Non-Housing Special Fund to the extent required under the Non-Housing Indenture, which fund is to be held by and maintained with the Trustee. See "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Non-Housing Special Fund."

Security for the 2007B Bonds. The Series 2007B Bonds and any Additional Housing Bonds (as defined below) and other Housing Parity Obligations (as defined below) are equally secured by and are payable from an exclusive pledge of Subordinate Housing Pledged Tax Revenues (as defined below), all

moneys deposited in the Housing Special Fund (as defined below) (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Housing Redemption Fund (as defined below). The Subordinate Housing Pledged Tax Revenues, so long as any Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Housing Bonds (as defined below) have occurred, shall be deposited by the Agency in the Housing Special Fund to the extent required under the Housing Indenture, which fund is to be held by and maintained with the Trustee. See "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Housing Special Fund."

Bond Insurance. The scheduled payment of principal of (or, in the case of the Series 2007B Bonds, the Maturity Value) and interest on each series of Bonds when due will be insured by separate financial guaranty insurance policies (the "Series 2007A Financial Guaranty Insurance Policy" and the "Series 2007B Financial Guaranty Insurance Policy," respectively and together, the "Financial Guaranty Insurance Policy") to be issued simultaneously with delivery of the Bonds by MBIA Insurance Corporation (the "Insurer"). The Insurer will also issue an interest rate swap insurance policy with respect to the Series 2007A Bonds. See "DESCRIPTION OF THE INSURER" and "APPENDIX G – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES."

Reserve Accounts. Under the Indentures, the Agency is required to maintain separate Reserve Accounts for the Series 2007A Bonds and the Series 2007B Bonds, each in the amount of the respective Reserve Requirement. The Agency will satisfy the requirements for each Reserve Account by depositing therein a Debt Service Reserve Surety Bond (the "Series 2007A Surety Bond" and the "Series 2007B Surety Bond," respectively) to be issued by the Insurer. See "SECURITY FOR THE SERIES 2007A BONDS – Non-Housing Debt Service Reserve Account" and "SECURITY FOR THE SERIES 2007B BONDS – Housing Debt Service Reserve Account."

Limited Obligations. The Bonds are not a debt of the City, the State of California or any of its political subdivisions, and neither the City, the State of California nor any of its political subdivisions is liable thereon. In no event shall the Bonds or any interest or redemption premium thereon or Parity Obligations be payable out of any funds or properties other than those of the Agency as set forth in the Indentures. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. See "SECURITY FOR THE SERIES 2007A BONDS – Pledge of Subordinate Non-Housing Pledged Tax Revenues" and "SECURITY FOR THE SERIES 2007B BONDS – Pledge of Subordinate Housing Pledged Tax Revenues."

2007 Swap. The Agency has entered into an interest rate swap (the "2007 Swap") with respect to the Series 2007A Bonds pursuant to an International Swap and Derivative Association Inc. ("ISDA") Master Agreement, dated July __, 2007, as supplemented by the Schedule thereto, dated July __, 2007, and evidenced by the Confirmation, dated July __, 2007, each between the Agency and Royal Bank of Canada (the "Swap Provider") (collectively, the "Swap Agreement"). Royal Bank of Canada is the parent company of RBC Dain Rauscher, Inc. doing business under the name RBC Capital Markets.

The 2007 Swap will be in a notional amount equal to the aggregate principal amount of the Series 2007A Bonds outstanding and under the 2007 Swap the Agency will pay amounts based upon a fixed rate of __% and receive amounts based upon a variable rate (based on __% of the One-Month London Interbank Offering Rate ("LIBOR") plus __ basis points). The notional amount of the 2007 Swap will be subject to reduction corresponding to the mandatory sinking fund redemption of Series 2007A Bonds. The payment obligations of the Agency under the Swap Agreement (excluding Termination Payments thereunder) will constitute a Non-Housing Parity Obligation and will be insured by the Interest Rate Swap

Insurance Policy issued by the Insurer. The payments received by the Agency under the 2007 Swap will be pledged to the payment of the Series 2007A Bonds. The payment obligations of the Agency under the 2007 Swap that constitute Termination Payments are junior and subordinate in all respects to Non-Housing Parity Obligations as Subordinate Non-Housing Obligations (as defined in the Non-Housing Indenture). See "SUMMARY OF THE NON-HOUSING INDENTURE – Provisions Relating to Termination Payments under the 2007 Swap."

The Agency has entered into the 2007 Swap in connection with the Series 2007A Bonds for the purpose of receiving amounts expected to be approximately equal to the floating rate interest payments the Agency is obligated to make with respect to the Series 2007A Bonds in exchange for making fixed rate payments. Payments to and from the Swap Provider will be paid from or deposited into the Interest Account under the Non-Housing Indenture. Under certain circumstances, the 2007 Swap is subject to early termination prior to the scheduled termination date and prior to the maturity of the Series 2007A Bonds, in which event, the Agency may be obligated to make a Termination Payment to the Swap Provider and the Agency may be required to make a substantial supplemental appropriation for such purpose. Neither the holders of the Series 2007A Bonds nor any other person other than the Agency will have any other rights under the 2007 Swap or against the Swap Provider.

Senior Bonds. The payment of debt service on the Series 2007A Bonds and any Additional Non-Housing Bonds and payments under any Non-Housing Parity Obligations issued or executed under the Non-Housing Indenture are subordinate to the payment of debt service on the Agency's Senior Bonds as defined in the Non-Housing Indenture (the "Senior Non-Housing Bonds") and to the payment of Senior Harbour Debt Service, as defined in the Non-Housing Indenture (the "Senior Harbour Debt Service"). Pursuant to the Non-Housing Indenture, the Agency has agreed that, so long as the Series 2007A Bonds, any Additional Non-Housing Bonds or other Non-Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Non-Housing Bonds or the Senior Harbour Indenture (as defined below). See "SECURITY FOR THE SERIES 2007A BONDS – Outstanding Non-Housing Senior Obligations."

The payment of debt service on the Series 2007B Bonds and any Additional Housing Bonds and payments under any Housing Parity Obligations issued or executed under the Housing Indenture are subordinate to the payment of debt service on the Agency's Senior Housing Bonds as defined in the Housing Indenture (the "Senior Housing Bonds"). Pursuant to the Housing Indenture, the Agency has agreed that, so long as the Series 2007B Bonds, any Additional Housing Bonds or other Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Housing Bonds. See "SECURITY FOR THE SERIES 2007B BONDS – Outstanding Housing Senior Obligations."

Parity Bonds. The obligations under the 2004 Non-Housing Loan Agreement (as defined below) and any Additional Non-Housing Bonds are secured on a parity basis with the Series 2007A Bonds. See "SECURITY FOR THE SERIES 2007A BONDS – Outstanding Non-Housing Parity Obligations."

The obligations under the 2004 Housing Loan Agreement (as defined below) and any Additional Housing Bonds are secured on a parity basis with the Series 2007B Bonds. See "SECURITY FOR THE SERIES 2007B BONDS – Outstanding Housing Parity Obligations."

**Fiscal Consultant Report**

Included as Appendix H to this Official Statement is a Fiscal Consultant Report (the "Consultant Report") prepared by Fraser & Associates (the "Consultant") which, among other things, analyzes the tax increment revenues generated from taxable property within the Merged Project Area and pledged to the

repayment of the Bonds. The findings and projections in the Consultant Report are subject to a number of assumptions that should be reviewed and considered by prospective investors. No assurances can be given that the projections and expectations discussed in the Consultant Report will be achieved. Actual results may differ materially from the projections described therein. See "APPENDIX H – Fiscal Consultant Report" and "THE MERGED PROJECT AREA – Merger and Amendment of the Project Areas."

**Other Information**

The Bonds are being issued for sale by the Agency to the Richmond Joint Powers Financing Authority (the "Authority") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "JPA Law"). See "THE AUTHORITY." The Bonds purchased by the Authority will be simultaneously resold to the Underwriter.

There follows in this Official Statement descriptions of the Bonds, the Indentures, the Merged Project Area, the Agency and the City. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms not defined herein or in Appendix B hereto shall have the meanings set forth in the Indentures. Copies of the Indentures are available for inspection upon reasonable notice during business hours at the office of the Trustee in San Francisco, California.

## PURPOSE OF THE BONDS

The Bonds are being issued by the Agency to finance Agency projects and certain low- and moderate-income housing activities of the Agency. See "THE MERGED PROJECT AREA." The Agency will also use a portion of the proceeds of the Series 2007A Bonds to assist the City by providing funds for financing a portion of the City's Civic Center Project.

## ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Bonds.

| Sources: | Series 2007A Bonds | Series 2007B Bonds |
|---|---|---|
| Bond Proceeds | | |
| *Less* Original Issue Discount | | |
| *Less* Underwriter's Discount | | |
| Total Sources | | |
| **Uses:** | | |
| Costs of Issuance | (1) | (1) |
| Deposit to Redevelopment Project Accounts | | |
| Deposit to Civic Center Project Account | | |
| Total Uses | | |

(1) Includes legal, financing and consultant fees, fees of the Trustee, rating agency fees, bond insurance and surety bond premiums and certain miscellaneous expenses.

## THE 2007A BONDS

### Authority for Issuance

The Series 2007A Bonds are being issued pursuant to the Non-Housing Indenture in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State of California. A summary of certain provisions of the Non-Housing Indenture is set forth in "APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE."

The Series 2007A Bonds will be issued only in registered form in denominations of $25,000 or any integral multiple thereof as Reset Auction Mode Securities – RAMS™** (also, under the terms of the Non-Housing Indenture, as auction rate bonds ("ARBs") bearing interest at an Auction Period Rate, as more fully described below.) The Series 2007A Bonds will be dated the date of their initial execution and delivery. ***This Official Statement only describes the terms of the Series 2007A Bonds while they bear interest at an Auction Period Rate.*** The following provisions contain only brief descriptions of the ARBs, which are more fully described in "APPENDIX J – AUCTION PROCEDURES." Capitalized terms used but not defined below shall have the meanings given in said Appendix J or in "APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE." The terms "ARBs" and "RAMS™" may be used interchangeably in this Official Statement to refer to the Series 2007A Bonds while they bear interest at Auction Period Rates.

### Maturity Date; Registered Ownership

The Series 2007A Bonds mature (subject to prior redemption) on September 1, 20__ (the "Series 2007A Maturity Date").

The Series 2007A Bonds will be registered initially in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), and will be evidenced by one Series 2007A Bond for each maturity of the Series 2007A Bonds in the principal amount of the respective maturities of the Series 2007A Bonds. Registered ownership of the Series 2007A Bonds, or any portion thereof, may not thereafter be transferred except as described in "APPENDIX D – BOOK ENTRY ONLY SYSTEM."

### General Terms of Auction Rate Bonds

Authorized Denominations. The ARBs will be issued in fully registered form in denominations of $25,000 or any integral multiple thereof.

Interest Payment Dates. Interest on the ARBs is payable on each ARB Interest Payment Date, which is defined as initially August __, 2007, and (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 and September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such Series 2007A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding

** RAMS™ is a trademark of RBC Dain Rauscher Inc.

the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

**Payments on Auction Rate Bonds**

Accrual of Interest. During the ARB Interest Rate Period, interest on the Series 2007A Bonds for each Auction Period shall be payable on each ARB Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (*i.e.*, for other than the first ARB Interest Payment Date, the immediately preceding ARB Interest Payment Date) and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Series 2007A Bonds shall be payable for the final Interest Rate Period to but not including the date on which the Series 2007A Bonds shall have been paid in full.

Medium of Payment. Unless otherwise requested by the Securities Depositories, the interest on each Bond shall be payable on each Interest Payment Date for such Series 2007A Bond and shall be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Series 2007A Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least $1,000,000 aggregate principal amount of Series 2007A Bonds may, at any time prior to a Record Date with respect to the payment of interest on such Series 2007A Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Series 2007A Bonds by wire transfer or by deposit to an account.

The principal or Redemption Price of the Series 2007A Bonds will be payable in lawful money of the United States of America at the Principal Office of the Trustee upon surrender of the Series 2007A Bonds to the Trustee for cancellation.

ARB Payment Defaults. The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARB Interest Payment Date, whether an ARB Payment Default has occurred. If an ARB Payment Default has occurred, the Trustee shall, not later than 2:30 p.m. New York City time on such Business Day, send a Notice of ARB Payment Default to the Auction Agent and the Broker-Dealer by telecopy or similar means and, if such ARB Payment Default is cured, the Trustee shall immediately send a Notice of Cure of ARB Payment Default to the Auction Agent and the Broker-Dealer by telecopy or similar means.

**Calculation of Auction Rate**

The Auction Rate for the first Auction Period for the ARBs will be determined prior to delivery of the ARBs. Thereafter the Auction Rate for each subsequent Auction Period will be determined under the Auction Procedures described in "APPENDIX J – AUCTION PROCEDURES."

Generally, the Auction Period Rate will be determined by a Dutch auction procedure, but may under certain circumstances be based on indexes and other factors. Further, the Auction Period Rate generally may not exceed 12%. Interest shall be computed, in the case of an Auction Period of less than 180 days, on the basis of a 360-day year and the number of days actually elapsed. Interest shall be computed, in the case of an Auction Period equal to or more than 180 days, on the basis of a 360-day year of twelve 30-day months.

**Auction Periods**

Auction Periods. The first Auction Period for the ARBs will begin on and include the Closing Date and will end on and include August __, 2007. The first Interest Payment Date for the ARBs will be

August __, 2007. Thereafter, the City expects the Auction Period for the ARBs to be, initially, a 35-day Auction Period, as described below.

The various Auction Periods for the ARBs are described below:

*Flexible Auction Period.* A Flexible Auction Period;

*Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

*Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) | (B) | (C) |
|---|---|---|
| When Auctions Occur | Auction Period Generally | Auction Periods Generally |
| on this day | Begins this day | End this day |
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

*28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

*35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

*Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the

calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

*Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in the Auction Procedures.

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

**Changes in Auction Period or Auction Date**

Changes in Auction Period. During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such

new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period. In the event that the Series 2007A Bonds bear interest at the ARB Maximum Rate for the lesser of three consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the Insurer.

Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

**Initial Auction Agent, Broker-Dealer and Market Agent**

Auction Agent. Union Bank of California, N.A. (the "Auction Agent") is appointed as the initial Auction Agent for the ARBs under the Non-Housing Indenture and under an Auction Agent Agreement dated as of July 1, 2007, by and between the Trustee and the Auction Agent.

Broker-Dealer. RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets (the "Broker-Dealer") is appointed as the initial Broker-Dealer for the ARBs under the Non-Housing Indenture and a Broker-Dealer Agreement dated as of July 1, 2007, between the Auction Agent and the Broker-Dealer.

The Broker-Dealer may take certain actions affecting the ARBs and the auction process, and certain other information, sale or transfer limitations, and historical events may affect the ARBs. See "CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES." Initially, RBC Capital Markets will be the only Broker-Dealer.

**Redemption for the Series 2007A Bonds**

*Optional Redemption.* While any ARB Interest Rate Period is in effect, the Series 2007A Bonds are also subject to redemption prior to their stated maturity, at the option of the Agency, in whole or in part (in such amounts as may be specified by the Agency) (with a corresponding reduction in the notional amount of the 2007 Swap), on any ARB Interest Payment Date at a Redemption Price equal to the principal amount of Series 2007A Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. After any partial redemption pursuant to the Indenture, there shall not be less than $10,000,000 in aggregate principal amount of Series 2007A Bonds Outstanding unless otherwise consented to by the Broker-Dealer.

After any partial redemption pursuant to the Non-Housing Indenture, there shall not be less than $10,000,000 in aggregate principal amount of Series 2007A Bonds Outstanding unless otherwise consented to by the Broker-Dealer.

If any Series 2007A Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the Agency shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such ARBs to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Trustee immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such ARBs immediately following such Auction settlement, and (3) the Securities Depository Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Trustee shall send a copy of such notice to the Auction Agent.

So long as the Series 2007A Financial Guaranty Insurance Policy is in effect, no amount of the Series 2007A Bonds which constitute Hedged Bonds shall be redeemed pursuant to the Non-Housing Indenture unless (i) the Agency causes a corresponding reduction in the notional amount of the 2007 Swap, or any applicable Qualified Swap Agreement, and provides for payment of related Termination Payments, if any, or (ii) the Insurer waives this aforementioned condition in writing.

*Mandatory Redemption.* The Series 2007A Bonds are also subject to redemption in part prior to their stated maturity from Sinking Fund Installments (with a corresponding reduction in the notional amount of the 2007 Swap) on each September 1 on and after September 1, 20__, as set forth below, at a Redemption Price equal to the principal amount of the Bonds to be redeemed together with unpaid accrued interest thereon to the date fixed for redemption, without premium. Notwithstanding the foregoing, when any Series 2007A Bond to be redeemed pursuant to Sinking Fund Installments is subject to an ARB Interest Rate Period, if such September 1 is not an ARB Interest Payment Date, the redemption from Sinking Fund Installments shall occur on the ARB Interest Payment Date immediately preceding such September 1.

| Redemption Date (September 1) | Redemption Amount |
|---|---|

*(final maturity)

**Notice of Redemption**

Notice of redemption will be mailed by first class mail by the Trustee not less than 30 nor more than 60 days prior to the redemption date to the registered Owner of each Series 2007A Bond to be redeemed at the address shown on the registration books of the Trustee with a copy of such notice to the relevant Credit Provider, if any.

Receipt of such notice will not be a condition precedent to the redemption of Series 2007A Bonds and failure of any Owner of a Series 2007A Bond to receive any such notice or any insubstantial defect in such notice will not affect the validity of the proceedings for the redemption of Series 2007A Bonds. Any defect in such notice given to the Owners of less than all of the Series 2007A Bonds to be redeemed will not affect the validity of the proceedings for the redemption of the Series 2007A Bonds as to which the notice of redemption did not contain such defect.

The notice of redemption will specify the maturity date of the Series 2007A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2007A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2007A Bonds so to be redeemed, and, in the case of Series 2007A Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will further state that on such date there will become due and payable upon each Series 2007A Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal amount thereof to be redeemed in the case of Series 2007A Bonds to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such Series 2007A Bond to be redeemed will cease to accrue and be payable,

In the event that funds required to pay the Redemption Price of the Series 2007A Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of Series 2007A Bonds at the option of the Agency is given, such notice will state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Series 2007A Bonds to be redeemed, and that if such moneys have not been so received, said notice will be of no force and effect and the Agency will not be required to redeem such Series 2007A Bonds. In the event a notice of redemption of Series 2007A Bonds contains such a condition and such moneys are not so received, the redemption of Series 2007A Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the

notice of redemption was given that such moneys were not so received and that there will be no redemption of Series 2007A Bonds pursuant to the conditional notice of redemption.

If upon the expiration of 60 days succeeding any redemption date, any Series 2007A Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than 90 days following such redemption date, send written notice by first class mail to the Owner of each Series 2007A Bond not so presented. Failure to mail the notices required by this subsection to any Owner, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Series 2007A Bonds nor impose any liability on the Trustee.

The scheduled debt service for the Series 2007A Bonds will be as follows:

| Year Ending September 1 | Principal | Interest Paid at Maturity | Total Debt Service |
|---|---|---|---|
| 2007 | | | |
| 2008 | | | |
| 2009 | | | |
| 2010 | | | |
| 2011 | | | |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |

## CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES

**Role of Broker-Dealer**

The Broker-Dealer has been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and is paid by the issuers or obligors for its services. The Broker-Dealer receives broker-dealer fees from such issuers or obligors at an agreed-upon annual rate that is applied to the principal amount of securities sold or successfully placed through the Broker-Dealer in such auctions.

The Broker-Dealer is designated in the Broker-Dealer Agreement as the Broker-Dealer to contact Existing Owners and Potential Owners and solicit Bids for the Series 2007A Bonds. The Broker-Dealer will receive Broker-Dealer Fees from the Agency with respect to the Series 2007A Bonds sold or successfully placed through it in Auctions for the Series 2007A Bonds. The Broker-Dealer may share a

portion of such fees with other dealers that submit Orders through it that are filled in the Auction for the Series 2007A Bonds.

**Bidding by Initial Broker-Dealer**

The Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for its own account either as a Bidder or a Seller and routinely does so in the auction rate securities market in its sole discretion. If the Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because the Broker-Dealer would have knowledge of some or all of the other Orders placed through the Broker-Dealer in that Auction and, thus, could determine the rate and size of its Order so as to ensure that its Order is likely to be accepted in the Auction and that the Auction is likely to clear at a particular rate. For this reason, and because the Broker-Dealer is appointed and paid by the Agency to serve as a Broker-Dealer in the Auction, Broker-Dealer's interests in conducting an Auction may differ from those of Existing Holders and Potential Holders who participate in Auctions. *See* "Auction Dealer Fees." The Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealer may routinely place one or more Bids in an Auction for its own account to acquire the Series 2007A Bonds for its inventory, to prevent an Auction Failure Event (which would result in the Auction Rate being set at the Maximum Rate) or an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. The Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding for its own account, the Broker-Dealer may also bid outside or inside the range of rates that it posts in its Price Talk. *See* "Price Talk."

The Broker-Dealer also may routinely encourage bidding by others in Auctions, including to prevent an Auction Failure Event or an Auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Series 2007A Bonds. The Broker-Dealer may routinely encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by the Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Rate — including preventing the Auction Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a higher or lower rate than they might have received had the Broker-Dealer not bid or not encouraged others to bid and (ii) the allocation of Series 2007A Bonds being auctioned — including displacing some Bidders who may have their Bids rejected or receive fewer Series 2007A Bonds than they would have received if the Broker-Dealer had not bid or encouraged others to bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the Series 2007A Bonds involves no significant liquidity or credit risk. The Broker-Dealer is not obligated to continue to place such bids or encourage other Bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate the Broker-Dealer believes does not reflect the market for the securities. Investors should not assume that the Broker-Dealer will do so or that Auction Failure Events will not occur. Investors should also be aware that Bids by the Broker-Dealer or by those it may encourage to place Bids may cause unfavorable Auction Rates to occur.

In any particular Auction, if all outstanding Series 2007A Bonds are the subject of Submitted Hold Orders, the Auction Rate for the next succeeding Distribution Period will be the Minimum Rate (such a situation is called an "All Hold Auction"). The Broker-Dealer is under no obligation to advise existing holders of the fact that an All Hold Auction is likely.

If the Broker-Dealer holds any Series 2007A Bonds for its own account on an Auction Date, the Broker-Dealer will submit a Sell Order into the Auction with respect to such Series 2007A Bonds, which would prevent that Auction from being an All Hold Auction. The Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction, as set forth above.

**Auction Dealer Fees**

For many auction rate securities, the Broker-Dealer has been appointed by the issuer of the securities to serve as a dealer for the related auctions and is paid by the issuer for its services. With respect to the Series 2007A Bonds in this offering, the Broker-Dealer has been appointed to serve as a dealer in the Auctions pursuant to the Broker-Dealer Agreement between Agency and the Broker-Dealer. That Agreement provides that the Broker-Dealer will receive from Agency auction dealer fees at an annual rate of a percentage of the principal amount of the Series 2007A Bonds sold or successfully placed through the Broker-Dealer. As a result, Broker-Dealer's interests in conducting Auctions may differ from those of investors who participate in Auctions.

The Broker-Dealer may share a portion of the auction dealer fees it receives from the Agency with other broker-dealers that submit orders through the Broker-Dealer that the Broker-Dealer successfully places in the Auction. In general, auction dealers may share with the Broker-Dealer a portion of the fees they receive from an issuer when those dealers submit orders for the Broker-Dealer (on behalf of the Broker-Dealer or its customers) into auctions in which the Broker-Dealer does not serve as a dealer. Similarly, with respect to auctions for other auction rate securities for which the Broker-Dealer does not serve as a dealer, the other broker-dealers who serve as dealers in those auctions may share auction dealer fees with the Broker-Dealer for orders that the Broker-Dealer submits through those broker-dealers that those broker-dealers successfully place in those auctions.

**Price Talk**

Before the start of an Auction, the Broker-Dealer may, in its discretion, make available to Existing Holders and Potential Holders Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty, and Existing Holders and Potential Holders are free to use it or ignore it. If the Broker-Dealer provides Price Talk, the Broker-Dealer will make the Price Talk available to all Existing Holders and Prospective Holders. the Broker-Dealer may occasionally update and change the Price Talk based on changes in issuer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. The Broker-Dealer will make such changes available to all Existing Holders and Potential Holders that were given the original Price Talk.

**All-or-Nothing Bids**

The Broker-Dealer does not accept "all-or-nothing" bids (*i.e.*, bids whereby the bidder proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that allows the bidder to avoid auction procedures that require the pro rata allocation of securities where there are not sufficient sell orders to fill all bids at the clearing rate.

**No Assurances Regarding Auction Outcomes**

The Broker-Dealer provides no assurance as to the outcome of any Auction. Nor does the Broker-Dealer provide any assurance that any Bid will be accepted or that the Auction will clear at a rate that a

Bidder considers acceptable. Bids may be rejected or may be only partially filled, and the rate on any Series 2007A Bonds purchased or retained may be lower than the Bidder expected.

**Deadlines/Auction Periods**

Each particular Auction has a formal time deadline by which all Bids must be submitted by the Broker-Dealer to the Auction Agent. This deadline is called the "Submission Deadline." To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, the Broker-Dealer imposes an earlier deadline — called the "Internal Submission Deadline" — by which Bidders must submit Bids to the Broker-Dealer. The Internal Submission Deadline is subject to change by the Broker-Dealer. The Broker-Dealer may allow for correction of clerical errors after the Internal Submission Deadline and prior to the Submission Deadline. The Broker-Dealer may submit Bids for its own account at any time until the Auction Submission Deadline. Some auction agents allow for the correction of clerical errors for a specified period of time after the Auction Submission Deadline.

During any Auction period, the Agency of the Series 2007A Bonds may, pursuant to the terms of the Auction Agreement, change the length of the next Auction period. In Auctions that are subject to the changed Auction period, the Broker-Dealer may place a bid to buy the Series 2007A Bonds that may effectively place an upper limit on the rate that can be set at the Auction at a rate that is below the "maximum" rate.

**Existing Holder's Ability to Resell Auction Rate Securities May Be Limited**

Existing Holders will be able to sell all of the Series 2007A Bonds in an Auction that are the subject of submitted Sell Orders only if there are Bidders willing to purchase all those Series 2007A Bonds offered for sale in the Auction.

If sufficient clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the Auction all, and may not be able to sell any, of the Series 2007A Bonds subject to such submitted Sell Orders. As discussed above (see " – Bidding by Initial Broker-Dealer"), the Broker-Dealer may submit a Bid in an Auction to keep it from failing, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction from failing in the absence of the Broker-Dealer bidding in the Auction for its own account or encouraging others to bid. Therefore, Auction Failure Events are possible, especially if Agency's credit were to deteriorate, a market disruption were to occur or if, for any reason, the Broker-Dealer were unable or unwilling to bid.

Between Auctions, there can be no assurance that a secondary market for the Series 2007A Bonds will develop or, if it does develop, that it will provide Existing Holders the ability to resell the Series 2007A Bonds in the secondary market on the terms or at the times desired by an ~~Existing~~ Holder.

The Broker-Dealer may, in its own discretion, decide to buy or sell the Series 2007A Bonds in the secondary market for its own account to or from investors at any time and at any price, including at prices equivalent to, below, or above the par value of the Series 2007A Bonds. However, the Broker-Dealer is not obligated to make a market in the Series 2007A Bonds, and may discontinue trading in the Series 2007A Bonds without notice for any reason at any time. Existing Holders who resell between Auctions may receive less than par value, depending on market conditions.

The ability to resell the Series 2007A Bonds will depend on various factors affecting the market for the Series 2007A Bonds, including news relating to Agency, the attractiveness of alternative investments, the perceived risk of owning the Series 2007A Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Series 2007A Bonds (including recent

clarification of U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in "– Securities and Exchange Commission Inquiries,") or press reports, financial reporting cycles and market conditions generally. Demand for the Series 2007A Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

**Resignation of the Auction Agent Under the Auction Agent Agreement or the Broker-Dealer Under the Broker-Dealer Agreement Could Impact the Ability to Hold Auctions**

The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 30 days notice to the Agency, the Trustee and the Broker-Dealer and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon 30 days notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Series 2007A Bonds will be determined as described in the Non-Housing Indenture.

**Securities and Exchange Commission Settlements**

On May 31, 2006, the U.S. Securities and Exchange Commission (the "SEC") announced that it had settled its investigation of 15 firms, including the Broker-Dealer, that participate in the auction rate securities market regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Broker-Dealer agreed to pay a civil penalty. In addition, the Broker-Dealer, without admitting or denying the SEC's allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by the Broker-Dealer to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or the Series 2007A Bonds.

## THE 2007B BONDS

**Authority for Issuance**

The Series 2007B Bonds are being issued pursuant to the Housing Indenture in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State of California. A summary of certain provisions of the Housing Indenture is set forth in "APPENDIX B – SUMMARY OF THE HOUSING INDENTURE."

**Description of the Series 2007B Bonds**

The Series 2007B Bonds will be dated as of the date of their delivery. The Series 2007B Bonds will be issued as capital appreciation bonds. The Series 2007B Bonds will not bear current interest; instead, each Series 2007B Bond will increase in value by the accumulation of earned interest from its initial principal amount ("Denominational Amount") on the date of issuance (as stated on the inside cover hereof) to its Maturity Value on the date of maturity, as stated on the inside cover hereof. Interest commences to accrue on the date of delivery, and is compounded on March 1 and September 1, commencing September 1, 2007 (each, an "Interest Date"). The Maturity Value of the Series 2007B

Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the Trustee at the maturity thereof. The Series 2007B Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Series 2007B Bonds. See "APPENDIX D – BOOK ENTRY ONLY SYSTEM." The Series 2007B Bonds will be issued in increments of $5,000 of Maturity Value or integral multiples thereof. Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture. See " – Transfer and Exchange of Series 2007B Bonds.

The rate of interest at which a Series 2007B Bond's Maturity Value is discounted to its Denominational Amount is known as the "Yield to Maturity"; an estimate of Yield to Maturity is stated on the inside cover hereof. For any Series 2007B Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Series 2007B Bond from its maturity date to that Interest Date at a discount rate equal to the Yield to Maturity, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question. See "TAX MATTERS" for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Series 2007B Bonds.

The Underwriter has prepared the Tables of Accreted Values shown in Appendix K hereto, in order to provide the value per $5,000 of Maturity Value for each Series 2007A Bond on each Interest Date prior to maturity. The Agency takes no responsibility for these tables. See "TAX MATTERS" herein for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Series 2007A Bonds.

The scheduled debt service for the Series 2007B Bonds will be as follows:

| Year Ending September 1 | Denominational Amount | Maturity Value | Total Debt Service |
|---|---|---|---|
| 2007 | | | |
| 2008 | | | |
| 2009 | | | |
| 2010 | | | |
| 2011 | | | |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |

**Redemption for the Series 2007B Bonds**

The Series 2007B Bonds are not subject to optional or mandatory sinking fund redemption prior to their respective maturity dates.

## TAX ALLOCATION FINANCING

**General**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of property within a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter

receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (commonly known as "tax increment revenues") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must rely specifically on the allocation of tax increment revenues.

**Allocation of Taxes**

Under the provisions of the California Constitution and the Redevelopment Law, taxes, including possessory interest taxes, levied upon taxable property within a project area each year by any taxing agency are allocated according to the following procedures:

(i) To Other Taxing Agencies: That portion of the taxes which would be produced by levying the particular tax rate each year for each of the taxing agencies upon the total assessed value of taxable property in a project area as shown upon the assessment roll last equalized prior to the effective date of the Agency's ordinance adopting the Redevelopment Plan is allocated to the respective taxing agencies as those taxes are paid and collected. For the purpose of allocating taxes levied for any taxing agency or agencies which did not include the territory located in a project area on the effective date of such ordinance, but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the county last equalized prior to the effective date of said ordinance is used in determining the assessed valuation of the taxable property in the project area on said effective date; and

(ii) To the Agency: That portion of said levied taxes each year in excess of the foregoing amount is allocated to a special fund of the Agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the redevelopment of a project area. Unless and until the total assessed valuation of taxable property in a project area exceeds the total assessed value of said property as shown by the last equalized assessment roll referred to in the preceding paragraph, all of the taxes levied and collected upon the taxable property in the project area are paid to the respective taxing agencies other than the Agency.

The Agency has no power to levy and collect taxes, and any legislative property tax de-emphasis or shift or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate will reduce the amount of tax allocations that would otherwise be available to pay the principal of, premium, if any, and interest on the Bonds. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS." Likewise, broadened property tax exemptions or any limitation on the rate of taxation by taxing agencies could have a similar effect.

Teeter Plan. The Board of Supervisors of Contra Costa County (the "County") utilizes the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County calculates tax increment to redevelopment project areas by applying the current year secured tax rate to secured and unsecured incremental taxable value. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Property Tax Collection Procedures – County Tax Loss Reserve Fund (Teeter Plan)."

Tax increment is allocated to the Agency based on 100% of the County calculated levy. Under the Teeter Plan, the Agency is shielded from the impact of delinquent property taxes and the County does

not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Pass-Through Payments. Historically, redevelopment agencies entered into agreements to pay tax increment revenues to taxing agencies that had territory within a redevelopment project area in an amount which the agency and the taxing agency agreed was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements provided for a pass through of tax increment revenues directly to the affected taxing agency and were commonly referred to as "Pass-Through Agreements." The Agency, however, has not entered into any such Pass-Through Agreements. Assembly Bill 1290 ("AB 1290") replaced this negotiating process with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and with respect to additional territory added to existing redevelopment project areas after January 1, 1994. AB 1290 requires statutory pass through payments ("Pass-Through Payments") to all taxing entities, however a redevelopment agency may subordinate the Pass-Through Payments to the payment of loans, bonds or other debt of the redevelopment agency if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such debt. The Agency has not subordinated any Pass-Through Payments to date.

In addition, if an agency makes certain types of amendments to a redevelopment plan, such as the 1999 Amendments (as defined herein), the Redevelopment Law provides that either pre-AB 1290 pass through payments continue or, if none are being paid, that Pass-Through Payments be made at the point in time the first of such amendments become operative. The amount of the statutory Pass-Through Payment is calculated against the amount of assessed value by which the then current year assessed value exceeds the adjusted base year assessed value, which is the assessed value of the project area the first year in which one or more of the new limitations takes effect. For these purposes, the relevant amendments are those which extend the time frame to incur debt, increase the amount of tax increment revenue to be received by the agency or extend the effectiveness of a redevelopment plan. See "THE MERGED PROJECT AREA – Merger and Amendment of the Project Areas" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)."

## SECURITY FOR THE SERIES 2007A BONDS

### Pledge of Subordinate Non-Housing Pledged Tax Revenues

The term "Subordinate Pledged Tax Revenues," as defined in the Non-Housing Indenture (the "Subordinate Non-Housing Pledged Tax Revenues"), means, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period, (ii) "Senior Debt Service," as defined in the Non-Housing Indenture (the "Senior Non-Housing Debt Service") payable during such period, (iii) except to the extent subordinated to Debt Service on Non-Housing Parity Obligations (as defined below), amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and Section 33607.7 of the California Health and Safety Code during such period and (iv) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period, and (b) all receipts and payments made to the Agency pursuant to Non-Housing Public Finance Contracts entered into in connection with any Non-Housing Bonds.

The Series 2007A Bonds, any Additional Non-Housing Bonds and other Non-Housing Parity Obligations are equally secured by and are payable from an exclusive pledge of Subordinate Non-Housing Pledged Tax Revenues, all moneys deposited in the Non-Housing Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Non-Housing Redemption Fund. The Subordinate Non-Housing Pledged Tax Revenues, so long as any Non-Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Non-Housing Bonds have occurred, shall be deposited by the Agency in the Non-Housing Special Fund to the extent required under the Non-Housing Indenture, which fund is to be held by and maintained with the Trustee. See "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Non-Housing Special Fund."

Pursuant to the Non-Housing Indenture, the Agency is entitled to issue Additional Non-Housing Bonds and other Non-Housing Parity Obligations (the "Non-Housing Parity Obligations") having a parity lien on the Subordinate Non-Housing Pledged Tax Revenues and otherwise on a parity with the Series 2007A Bonds. For a further discussion of Additional Non-Housing Bonds, see "SECURITY FOR THE SERIES 2007A BONDS — Additional Non-Housing Bonds and Other Non-Housing Parity Obligations" and "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Additional Bonds" and "— Conditions to Issuance of Non-Housing Parity Obligations."

None of the Agency's contractual or statutory obligations have been subordinated to the payment of debt service on the Series 2007A Bonds or the obligations under the 2004 Non-Housing Loan Agreement. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)" and "TAX ALLOCATION FINANCING – Allocation of Taxes."

THE SERIES 2007A BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2007A BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON OR PARITY OBLIGATIONS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE NON-HOUSING INDENTURE. THE SERIES 2007A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2007A BONDS ARE LIABLE PERSONALLY ON THE SERIES 2007A BONDS BY REASON OF THEIR ISSUANCE.

**Non-Housing Debt Service Reserve Account**

The Trustee is required to set aside from the Non-Housing Special Fund and deposit in a Non-Housing Debt Service Reserve Account established under the Non-Housing Indenture an amount equal to the Non-Housing Debt Service Reserve Requirement, which, as of any date of calculation, is an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Non-Housing Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Non-Housing Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any

Non-Housing Bonds or Series of Non-Housing Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Non-Housing Bonds, the interest on such Non-Housing Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Non-Housing Bonds that constitute Variable Rate Indebtedness, the interest rate on such Non-Housing Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Non-Housing Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Non-Housing Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Non-Housing Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

In lieu of the deposits and transfers to the Non-Housing Debt Service Reserve Account required by the Non-Housing Indenture, the Agency will cause to be deposited in the Non-Housing Debt Service Reserve Account a Debt Service Reserve Surety Bond (the "Series 2007A Surety Bond") to be issued by the Insurer in an amount equal to the Non-Housing Debt Service Reserve Requirement, which is $_____ as of the delivery of the Series 2007A Bonds. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Series 2007A Surety Bond to receive payments with respect to the Series 2007A Surety Bond (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Non-Housing Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Non-Housing Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Non-Housing Debt Service Reserve Account; (ii) on the first Business Day which is at least ten days prior to the expiration date of each Series 2007A Surety Bond, in an amount equal to the deficiency which would exist in the Non-Housing Debt Service Reserve Account if the Series 2007A Surety Bond expired, unless a substitute Series 2007A Surety Bond with an expiration date not earlier than 180 days after the expiration date of the expiring Series 2007A Surety Bond is acquired prior to such date or the Agency deposits funds in the Non-Housing Debt Service Reserve Account on or before such date such that the amount in the Non-Housing Debt Service Reserve Account on such date (without regard to such expiring Series 2007A Surety Bond) is at least equal to the Debt Service Reserve Requirement. See "DESCRIPTION OF THE INSURER – Debt Service Reserve Fund Surety Bond."

The Trustee will establish and maintain within the Non-Housing Debt Service Reserve Account a sub-account known as the "Series 2007A Coverage Reserve Subaccount." Amounts in the Series 2007A Coverage Reserve Subaccount shall be applied as provided in the Non-Housing Indenture to the payment of the Series 2007A Bonds prior to any draw on the Series 2007A Surety Bond. See "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE."

**Outstanding Non-Housing Senior Obligations**

The payment of debt service on the Series 2007A Bonds and any Additional Non-Housing Bonds and payments under any Non-Housing Parity Obligations issued or executed under the Non-Housing Indenture are subordinate to the payment of debt service on the Agency's Senior Bonds as defined in the Non-Housing Indenture (the "Senior Non-Housing Bonds") and to the payment of Senior Harbour Debt Service. Pursuant to the Non-Housing Indenture, the Agency has agreed that, so long as the Series 2007A Bonds, any Additional Non-Housing Bonds or other Non-Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Non-Housing Bonds or the Senior Harbour Indenture (as defined below).

Under that certain Indenture, dated as of January 1, 1992, as amended by a First Supplemental Indenture, dated as of February 1, 1998, all by and between the Agency and U.S. Bank Trust, N.A. (as

successor to First Trust of California, N.A.) (the "Senior Harbour Indenture"), the Agency issued its Harbour Redevelopment Project 1991 Tax Allocation Bonds (the "1991 Bonds") and its Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A (the "1998 Bonds"), secured by a senior lien on tax increment revenues generated from the Harbour Project Area. Although under the Senior Harbour Indenture, the Agency may issue future parity obligations equal to and on a parity with the lien and charge securing the 1991 Bonds and the 1998 Bonds, the Agency has covenanted not to issue any such parity obligations so long as any portion of the Non-Housing Bonds remain unpaid or any portion of the Series 2004A Bonds remains Outstanding. The 1991 Bonds, the 1998 Bonds and any parity obligations issued under the Senior Harbour Indenture (the "Senior Harbour Bonds") are secured by a lien which is senior in all respects to the lien on that portion of the Subordinate Non-Housing Pledged Tax Revenues derived from the Harbour Project Area and pledged to the repayment of the Series 2007A Non-Housing Bonds. For the fiscal year 2006-07, tax increment revenues from the Harbour Project Area are projected to represent 50% of the Subordinate Non-Housing Pledged Tax Revenues. See "PROJECTED DEBT SERVICE COVERAGE."

Under that certain Trust Agreement, dated as of November 1, 2000, by and between the Authority and Union Bank of California, N.A., San Francisco, California, as trustee (the "2000 Trust Agreement"), the Authority issued its Housing Set-Aside Tax Allocation Revenue Bonds Series 2000A (Tax-Exempt) (the "2000A Bonds"), secured by a lien on tax increment revenues generated from taxable property within certain project areas within the Merged Project Area, defined in the Pre-2004 Loan Agreement (the "Pre-2004 Limit Area"). In addition, the Series 2000A Bonds are secured by a lien on tax increment revenues generated from taxable property within certain other project areas within the Merged Project Area, defined in the Post-2004 Guaranty Agreement (the "Post-2004 Limit Area"). The Pre-2004 Limit Area and the Post-2004 Limit Area together comprised all of the Merged Project Area as of the date of issuance of the Series 2000A Bonds.

Under that certain Trust Agreement, dated as of August 1, 2003, by and between the Authority and Union Bank of California, N.A., San Francisco, California, as trustee (the "2003 Trust Agreement"), the Authority issued the 2003 Bonds, secured by a lien on tax increment revenues generated from taxable property within the Post-2004 Limit Area only.

The Pre-2004 Loan Agreement, the Post-2004 Guaranty Agreement and the 2003 Loan Agreement (the "Senior Merged Area Obligations") are secured by liens which are senior in all respects to the lien on the Subordinate Non-Housing Pledged Tax Revenues pledged to the Series 2007A Bonds and other Non Housing Parity Obligations.

Following is a listing of all of the outstanding senior obligations of the Agency.

*1991 Bonds*. In January 1992, the Agency issued the 1991 Bonds. The Agency refunded a portion of the 1991 Bonds with the proceeds of the 1998 Bonds. On April 1, 2007, the 1991 Bonds had a remaining principal balance of $155,000. The 1991 Bonds mature on July 1, 2009. The 1991 Bonds are special, limited obligations of the Agency and, except to the extent payable out of moneys attributable to the 1991 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Harbour Project Area. The 1991 Bonds are not secured by tax revenues generated by other project areas.

*1998 Bonds*. In February 1998, the Agency issued the 1998 Bonds. On April 1, 2007, the 1998 Bonds had a remaining principal balance of $20,292,779. The 1998 Bonds mature on July 1, 2023. The 1998 Bonds are special, limited obligations of the Agency and, except to the extent payable out of moneys attributable to the 1998 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Harbour Project Area. The 1998 Bonds are not secured by tax revenues generated by other project areas. The 1998 Bonds are secured on a parity with the 1991 Bonds.

*2000A Bonds*. In November 2000, the Authority issued the 2000A Bonds. On April 1, 2007, the 2000A Bonds had a remaining principal balance of $21,000,000. The 2000A Bonds mature on September 1, 2029. The 2000A Bonds are special, limited obligations of the Authority and, except to the extent payable out of moneys attributable to the 2000A Bonds proceeds, are payable from a pledge on the tax revenues generated by the Pre-2004 Limit Area and the Post-2004 Limit Area as described above. The 2000A Bonds are secured on a basis senior to the Series 2007A Bonds.

*2003 Bonds*. In August 2003, the Authority issued the 2003 Bonds. On April 1, 2007, the 2003A Bonds had a remaining principal balance of $16,080,000. On April 1, 2007, the 2003B Bonds had a remaining principal balance of $12,500,000. The 2003 Bonds mature on September 1, 2025. The 2003 Bonds are special, limited obligations of the Authority and, except to the extent payable out of moneys attributable to the 2003 Bonds proceeds, are payable solely from a pledge on the tax revenues generated by the Post-2004 Limit Area as described above. The 2003 Bonds are secured on a basis senior to the Series 2007A Bonds.

**Outstanding Non-Housing Parity Obligations**

*2004A Non-Housing Bonds*. In October 2004, the Agency entered into a Loan Agreement (Non-Housing) with the Authority (the "2004 Non-Housing Loan Agreement"), the obligations under which secure of portion of the Richmond Joint Powers Financing Authority, Tax Allocation Revenue Bonds, Series 2004A (Taxable) (the "Series 2004A Bonds"). On April 1, 2007, the outstanding principal balance of the loan under the 2004 Non-Housing Loan Agreement was $9,629,400. The Series 2004A Bonds mature on September 1, 2026. The obligations under the 2004 Non-Housing Loan Agreement and any Additional Non-Housing Bonds are secured on a parity basis with the Series 2007A Bonds.

*2007 Swap*. In connection with the Series 2007A Bonds, the Agency is also entering into the 2007 Swap, certain obligations of the Agency under which are Non-Housing Parity Obligations under the Non-Housing Indenture. See "INTRODUCTION — Security for the Bonds – 2007 Swap."

**Additional Non-Housing Bonds and Other Non-Housing Parity Obligations**

Under the Non-Housing Indenture, the Agency may issue one or more series of Additional Non-Housing Bonds and other Non-Housing Parity Obligations (collectively, the "Additional Non-Housing Parity Obligations"), payable on a parity from the Subordinate Non-Housing Pledged Tax Revenues, provided certain conditions precedent to the issuance of such Additional Non-Housing Parity Obligations, as set forth in the Non-Housing Indenture, are satisfied, including the condition that the Agency provide a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that: the Non-Housing Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the issuing instrument providing for the issuance of the Additional Non-Housing Parity Obligations, but taking into account the reductions in Non-Housing Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which the Additional Non-Housing Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations and such Additional Non-Housing Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues pursuant to the Law.

"Tax Revenues" are defined in the Non-Housing Indenture (the "Non-Housing Tax Revenues") to mean, for any period of time, (a) all taxes (including all payments, reimbursements and subventions, if

any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area during such period, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, (ii) except to the extent subordinated to Senior Non-Housing Debt Service and Debt Service on Non-Housing Parity Obligations, amounts, if any, payable to a taxing entity pursuant to Section 33607.5 and Section 33607.7 of the California Health and Safety Code during such period, (iii) Set Aside Revenues required to be deposited by the Agency in the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 or 33334.6 of the Law, as provided in the Redevelopment Plan, during such period and (iv) Senior Harbour Debt Service Payable during such period, and (b) all receipts and payments made to the Agency pursuant to Non-Housing Public Finance Contracts entered into in connection with any Non-Housing Bonds.

For the purposes of the issuance of Additional Non-Housing Parity Obligations, Outstanding Non-Housing Parity Obligations shall not include any Non-Housing Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Non-Housing Indenture authorizing issuance of such Non-Housing Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Non-Housing Bonds; (ii) moneys may be transferred from said escrow fund only if (a) Non-Housing Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Non-Housing Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Non-Housing Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations (exclusive of disqualified Non-Housing Bonds), Senior Non-Housing Obligations and such Non-Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues pursuant to the Law less a principal amount of Non-Housing Bonds which is equal to moneys on deposit in said escrow fund after each such transfer.

The Agency may issue Refunding Non-Housing Bonds without meeting the coverage requirements set forth above if, after the issuance of the Refunding Non-Housing Bonds, the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations, such Refunding Non-Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Non-Housing Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Non-Housing Parity Obligations, Senior Non-Housing Obligations and any unsubordinated loans if such Refunding Non-Housing Bonds were not issued. The Agency may issue such Refunding Non-Housing Bonds as Crossover Refunding Obligations if the Agency delivers to the Trustee (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Non-Housing Bonds and the Non-Housing Parity Obligations to be refunded.

Additionally, the Agency may issue or enter into Qualified Swap Agreements, the Net Payments under which constitute Non-Housing Parity Obligations, without regard to the coverage requirement described above, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Non-Housing Parity Obligations or investments held under an Issuing Instrument for Non-Housing Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related

Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

For additional conditions relating to the issuance of Non-Housing Parity Obligations, including the definitions of the capitalized terms used above, see "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Definitions" and "— Additional Bonds and Conditions to Issuance of Parity Obligations."

**Subordinated Non-Housing Obligations**

Under the Non-Housing Indenture, the Agency may also issue or incur Subordinated Non-Housing Obligations (the "Subordinated Non-Housing Obligations) payable from Subordinate Non-Housing Pledged Tax Revenues, the payment of which is junior and subordinate to the prior payment of all amounts due to be paid with respect to the Non-Housing Bonds and Non-Housing Parity Obligations, without meeting the coverage requirements described above under the caption "Additional Non-Housing Bonds and Non-Housing Parity Obligations." Such Subordinated Non-Housing Obligations shall be payable out of amounts of the Subordinate Non-Housing Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Non-Housing Parity Obligations as may be Outstanding from time to time, including Non-Housing Parity Obligations issued after the issuance of such Subordinated Non-Housing Obligations. Termination payments, if any, due under the 2007 Swap are designated as Subordinated Obligations under the Non-Housing Indenture. See "APPENDIX B — SUMMARY OF THE NON-HOUSING INDENTURE — Conditions to Issuance of Subordinated Obligations."

## SECURITY FOR THE SERIES 2007B BONDS

**Pledge of Subordinate Housing Pledged Tax Revenues**

The term "Subordinate Pledged Tax Revenues," as defined in the Housing Indenture (the "Subordinate Housing Pledged Tax Revenues"), means, for any period of time, (a) Set Aside Revenues, excluding (i) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code during such period and (ii) "Senior Debt Service," as defined in the Housing Indenture (the "Senior Housing Debt Service") payable during such period, and (b) all receipts and payments made to the Agency pursuant to Housing Public Finance Contracts entered into in connection with any Housing Bonds.

The Series 2007B Bonds, any Additional Housing Bonds and other Housing Parity Obligations (the "Housing Parity Obligations") are equally secured by and are payable from an exclusive pledge of Subordinate Housing Pledged Tax Revenues, all moneys deposited in the Housing Special Fund (including the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account created therein), and the Housing Redemption Fund. The Subordinate Housing Pledged Tax Revenues, so long as any Housing Bonds are outstanding and provided that all deposits required to be made with respect to Senior Housing Bonds have occurred, shall be deposited by the Agency in the Housing Special Fund to the extent required under the Housing Indenture, which fund is to be held by and maintained with the Trustee. See "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Housing Special Fund."

Pursuant to the Housing Indenture, the Agency is entitled to issue Additional Housing Bonds and other Housing Parity Obligations having a parity lien on the Subordinate Housing Pledged Tax Revenues and otherwise on a parity with the Series 2007B Bonds. For a further discussion of Additional Housing Bonds, see "SECURITY FOR THE SERIES 2007B BONDS — Additional Housing Bonds and Other Housing Parity Obligations" and "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Additional Bonds" and "— Conditions to Issuance of Housing Parity Obligations."

None of the Agency's contractual or statutory obligations have been subordinated to the payment of Housing Bond Debt Service on the Series 2007B Bonds and the obligations under the 2004 Housing Loan Agreement. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)" and "TAX ALLOCATION FINANCING – Allocation of Taxes."

THE SERIES 2007B BONDS ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2007B BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON OR PARITY OBLIGATIONS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE HOUSING INDENTURE. THE SERIES 2007B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE SERIES 2007B BONDS ARE LIABLE PERSONALLY ON THE SERIES 2007B BONDS BY REASON OF THEIR ISSUANCE.

**Housing Debt Service Reserve Account**

The Trustee is required to set aside from the Housing Special Fund and deposit in a Housing Debt Service Reserve Account established under the Housing Indenture an amount equal to the Housing Debt Service Reserve Requirement, which, as of any date of calculation, is an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Housing Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) 125% of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Housing Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Housing Bonds or Series of Housing Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Housing Bonds, the interest on such Housing Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Housing Bonds that constitute Variable Rate Indebtedness, the interest rate on such Housing Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Housing Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Housing Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Housing Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

In lieu of the deposits and transfers to the Housing Debt Service Reserve Account required by the Housing Indenture, the Agency will cause to be deposited in the Housing Debt Service Reserve Account a Debt Service Reserve Surety Bond (the "Series 2007B Surety Bond") to be issued by the Insurer in an amount equal to the Housing Debt Service Reserve Requirement, which is $_____ as of the delivery of the Series 2007B Bonds. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Series 2007B Surety Bond to receive payments with respect to the Series 2007B Surety Bond (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Housing Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Housing Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Housing Debt Service Reserve Account; (ii) on the first Business Day which is at least ten days prior to the expiration date of each Series 2007B Surety Bond, in an amount equal to the deficiency which would exist in the Housing Debt Service Reserve Account if the Series 2007B Surety Bond expired, unless a substitute Series 2007B Surety Bond with an expiration date not earlier than 180 days after the expiration date of the expiring Series 2007B Surety Bond is acquired prior to such date or the Agency deposits funds in the Housing Debt Service Reserve Account on or before such date such that the amount in the Housing Debt Service Reserve Account on such date (without regard to such expiring Series 2007B Surety Bond) is at least equal to the Debt Service Reserve Requirement. See "DESCRIPTION OF THE INSURER – Debt Service Reserve Fund Surety Bond."

The Trustee will establish and maintain within the Housing Debt Service Reserve Account a sub-account known as the "Series 2007B Coverage Reserve Subaccount." Amounts in the Series 2007B Coverage Reserve Subaccount shall be applied as provided in the Housing Indenture to the payment of the Series 2007B Bonds prior to any draw on the Series 2007B Surety Bond. See "APPENDIX C – SUMMARY OF THE HOUSING INDENTURE."

**Outstanding Housing Senior Obligations**

The payment of debt service on the Series 2007B Bonds and any Additional Housing Bonds and payments under any Housing Parity Obligations issued or executed under the Housing Indenture are subordinate to the payment of debt service on the Agency's Senior Housing Bonds as defined in the Housing Indenture (the "Senior Housing Bonds"). Pursuant to the Housing Indenture, the Agency has agreed that, so long as the Series 2007B Bonds, any Additional Housing Bonds or other Housing Parity Obligations are outstanding, it will not issue any additional bonds (including refunding bonds) on a parity with the Senior Housing Bonds.

Under the 2000 Trust Agreement, the Authority issued its Housing Set-Aside Tax Allocation Revenue Bonds Series 2000B (Taxable) (the "2000B Bonds"), secured by a lien on tax increment revenues generated from taxable property within the Pre-2004 Limit Area pledged to the repayment of the 2000B Bonds under the Pre-2004 Loan Agreement and additionally secured by a lien on tax increment revenues generated from taxable property within the Post-2004 Limit Area pledged to the repayment of the 2000B Bonds under the Post-2004 Guaranty Agreement.

The Pre-2004 Loan Agreement and the Post-2004 Guaranty Agreement, but only with respect to the payments thereunder required to be paid from amounts allocable to the Housing Fund in respect of the 2000B Bonds (the "Senior Merged Area Housing Obligations"), are secured by a lien which is senior in all respects to the lien on the Subordinate Housing Pledged Tax Revenues pledged to the Series 2007B Bonds. On April 1, 2007, the 2000B Bonds had a remaining principal balance of $4,550,000. The 2000B Bonds mature on September 1, 2029.

**Outstanding Housing Parity Obligations**

*2004 Housing Bonds*. In October 2004, the Agency entered into a Loan Agreement (Housing) with the Authority (the "2004 Housing Loan Agreement"), the obligations under which secure the Richmond Joint Powers Financing Authority, Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt) (the "Series 2004B Bonds") and a portion of the Series 2004A Bonds (and together with the 2004B Bonds, the "2004 Bonds"). On April 1, 2007, the outstanding principal balance of the loans under the 2004 Housing Loan Agreement were $1,860,000 with respect to the Series 2004B Bonds and $4,960,600 with respect to the Series 2004A Bonds. The 2004B Bonds mature on September 1, 2026. The obligations under the 2004 Housing Loan Agreement and any Additional Housing Bonds are secured on a parity basis with the Series 2007B Bonds.

**Additional Housing Bonds and Other Housing Parity Obligations**

Under the Housing Indenture, the Agency may issue one or more series of Additional Housing Bonds and other Housing Parity Obligations (collectively, the "Additional Housing Parity Obligations"), payable on a parity from the Subordinate Housing Pledged Tax Revenues, provided certain conditions precedent to the issuance of such Additional Housing Parity Obligations, as set forth in the Housing Indenture, are satisfied, including the condition that the Agency provide a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that: the Housing Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the issuing instrument providing for the issuance of the Additional Housing Parity Obligations, but taking into account the reductions in Housing Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which the Additional Housing Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations and such Additional Housing Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues pursuant to the Law.

"Tax Revenues" are defined in the Housing Indenture (the "Housing Tax Revenues") to mean, for any period of time, (a) Set Aside Revenues, excluding amounts, if any, received by the Agency pursuant to Section 16111 of the California Government Code during such period, and (b) all receipts and payments made to the Agency pursuant to Housing Public Finance Contracts entered into in connection with any Housing Bonds.

For the purposes of the issuance of Additional Housing Parity Obligations, Outstanding Housing Parity Obligations shall not include any Housing Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Housing Indenture authorizing issuance of such Housing Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Housing Bonds; (ii) moneys may be transferred from said escrow fund only if (a) Housing Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Housing Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Housing Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and

the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations (exclusive of disqualified Housing Bonds), Senior Housing Obligations and such Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues pursuant to the Law less a principal amount of Housing Bonds which is equal to moneys on deposit in said escrow fund after each such transfer.

The Agency may issue Refunding Housing Bonds without meeting the coverage requirements set forth above if, after the issuance of the Refunding Housing Bonds, the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations, such Refunding Housing Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Housing Parity Obligations, Senior Housing Obligations and any unsubordinated loans if such Refunding Housing Bonds were not issued. The Agency may issue such Refunding Housing Bonds as Crossover Refunding Obligations if the Agency delivers to the Trustee (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Housing Bonds and the Housing Parity Obligations to be refunded.

Additionally, the Agency may issue or enter into Qualified Swap Agreements, the Net Payments under which constitute Housing Parity Obligations, without regard to the coverage requirement described above, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Housing Parity Obligations or investments held under an Issuing Instrument for Housing Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

For additional conditions relating to the issuance of Housing Parity Obligations, including the definitions of the capitalized terms used above, see "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Definitions" and "— Additional Bonds and Conditions to Issuance of Parity Obligations."

**Subordinated Housing Obligations**

Under the Housing Indenture, the Agency may also issue or incur Subordinated Housing Obligations (the "Subordinated Housing Obligations) payable from Subordinate Housing Pledged Tax Revenues, the payment of which is junior and subordinate to the prior payment of all amounts due to be paid with respect to the Housing Bonds and Housing Parity Obligations, without meeting the coverage requirements described above under the caption "Additional Housing Bonds and Housing Parity Obligations." Such Subordinated Housing Obligations shall be payable out of amounts of the Subordinate Housing Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Housing Parity Obligations as may be Outstanding from time to time, including Housing Parity Obligations issued after the issuance of such Subordinated Housing Obligations. See "APPENDIX C — SUMMARY OF THE HOUSING INDENTURE — Conditions to Issuance of Subordinated Obligations."

## DESCRIPTION OF THE INSURER

*The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Authority, the Agency or the Underwriter as to the accuracy or completeness of the information.*

### The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to APPENDIX G for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "Description of the Insurer". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Agency to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds,

such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

**MBIA Insurance Corporation**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

**Regulation**

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

**Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not

guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

**MBIA Financial Information**

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of $11.2 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

**Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and

The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.;

(iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

**Debt Service Reserve Fund Surety Bond**

The Insurer has issued a commitment to issue two surety bonds, assuming delivery of the Bonds, one for the Debt Service Reserve Account under the Housing Indenture (the "Housing Surety Bond") and one for the Debt Service Reserve Account under the Non-Housing Indenture (the "Non-Housing Surety Bond", and together the "Debt Service Reserve Fund Surety Bonds"). The Debt Service Reserve Fund Surety Bonds will provide that upon notice from the Trustee to the Insurer under either Indenture, as appropriate, to the effect that insufficient amounts are on deposit in either Debt Service Reserve Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements, and in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds, the Insurer will promptly deposit with the Trustee the lesser of an amount sufficient to pay the principal of (and in the case of the Series 2007B Bonds, the Maturity Value) and interest on the Bonds or the available amount of the Housing Surety Bond or the Non-Housing Surety Bond, as applicable. Upon the later of: (i) three days after receipt by the Insurer of a Demand for Payment in the form attached to the Housing Surety Bond or the Non-Housing Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of either of the Debt Service Reserve Fund Surety Bonds is the initial face amount of either of the Debt Service Reserve Fund Surety Bonds less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Agency. The Agency and the Insurer have, for each Debt Service Reserve Fund Surety Bond, entered into a Financial Guaranty Agreement (each, an "Agreement", and together the "Agreements"). Pursuant to the Agreements, the Agency is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under either of the Debt Service Reserve Fund Surety Bonds, as applicable. Such reimbursement shall be made only after all required deposits to the Interest Account and the Principal Account of the Special Fund under the applicable Indenture have been made.

Under the terms of the Agreements, the Trustee is required to reimburse the Insurer, with interest, until the face amount of the applicable Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Surplus Fund. No optional redemption of the Series 2007A Bonds may be made until the Insurer's Non-Housing Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bonds will be held by the Trustee in the applicable Debt Service Reserve Accounts and are provided as alternatives to the Agency depositing funds equal to the respective Debt Service Reserve Requirements for outstanding Bonds. The Debt Service Reserve Fund Surety Bonds will be issued in the face amount equal to the respective Debt Service Reserve Requirements for the Series 2007A Bonds and the Series 2007B Bonds and the premium therefor will be fully paid by the Agency at the time of delivery of the Bonds.

## THE AGENCY

The City Council organized the Agency by Ordinance No. 4687 in October 1949 to exercise the powers granted by the Redevelopment Law.

The Agency was one of the first redevelopment agencies formed in the United States and its original objectives were to acquire and clear wartime housing, provide new housing for low and moderate income families and upgrade and broaden the City's economic base through development of industrial parks and commercial areas. To accomplish these objectives, the Agency has formed and administered eleven redevelopment projects.

The Agency has the authority to acquire, administer, develop and sell or lease property, including the right of eminent domain, and the right to issue bonds and expend the proceeds. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development, can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

### Financial Statements

The Agency's basic financial statements for the Fiscal Year Ending June 30, 2006 are attached hereto as APPENDIX I. The Fiscal Year 2005-06 financial statements were audited by Maze & Associates, Certified Public Accountants (the "Independent Auditors"). The Independent Auditors have not reviewed this Official Statement and the Agency has not requested the Independent Auditors to consent to the inclusion of the Fiscal Year 2005-06 basic financial statements herein.

### Swap Policy

The Agency has previously adopted a standard policy (the "Swap Policy") governing utilization of hedging instruments, including interest rate swaps. The 2007 Swap is in compliance with the Swap Policy.

### Governance and Administration

The Agency is administered by a governing board of nine members (the "Board"), who are the elected Mayor and members of the City Council. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in planning and implementing improvement projects. In 2008, pursuant to an amendment to the City Charter passed by the voters of the City, the number of City Council members and therefore the number of Agency board members will decrease to seven.

The members of the Agency, their respective positions on the Board and the ending date of their respective terms follow.

| Member | Board Position | Term Expiration |
|---|---|---|
| Gayle McLaughlin | Chair | November 2010 |
| Nathaniel Bates | Vice Chair | November 2008 |
| Thomas K. Butt | Member | November 2008 |
| Ludmyrna Lopez | Member | November 2010 |
| John E. Marquez | Member | November 2008 |
| Jim Rogers | Member | November 2010 |

| | | |
|---|---|---|
| Harpreet Sandhu | Member | November 2008 |
| Tony K. Thurmond | Member | November 2008 |
| Maria T. Viramontes | Member | November 2010 |

A discussion of senior management of the Agency and City and their respective positions and duties follows.

**William A. Lindsay** is the *Chief Executive Officer* of the Agency and *City Manager* of the City. As City Manager, Mr. Lindsay is responsible for implementing City Council policy and directing the City's administrative functions, including initiation and development of short and long-term special projects, oversight of the annual budget process, direction of the City's inter-governmental relations and public information functions, and direction of major economic development projects. Mr. Lindsay was appointed by the City Council to his present position in May 2005. Mr. Lindsay began his professional career as a Consultant with Deloitte Haskins & Sells (now Deloitte Touche) in their Management Advisory Services Group. He then began working in the public sector as Finance Director/Assistant to the City Manager with the City of Hercules, California, as Administrative Services Director with the City of San Ramon, California, and then as City Manager with the City of Orinda, California for nine years. Mr. Lindsay has been the City Manager of Richmond since February 2005. Mr. Lindsay earned a bachelor's degree in Economics from Yale University and a master's degree in General Management from the University of California at Berkeley.

**James C. Goins,** *Director of Finance* and *Treasurer*, serves as the chief financial officer of the City and the Treasurer of the Agency. He directs all financial functions for the City, including the preparation of the budget and the audit. Mr. Goins was appointed by the City Council to his present position in August 2005. He has 35 years of experience in local governmental affairs, including 19 years in the public sector and 16 years as an investment banker in municipal securities. Mr. Goins began his professional career with the Salt Lake County Government as the Director of Intergovernmental Relations and was promoted to the Chief Administrative Officer. Following his county service, Mr. Goins served as City Manager for the City of Compton, California. Immediately prior to his appointment at the City of Richmond as the Finance Director and Treasurer in August 2005, Mr. Goins was the Managing Director of Public Finance with Hoefer & Arnett, headquartered in San Francisco. He is a NASD registered Municipal Securities principal (Series 53) and a General Securities Representative (Series 7 and 63). Mr. Goins earned degrees in Business Administration and Social Psychology from the University of Utah.

**Steve Duran,** *Executive Director* of the Agency and *Community & Economic Development Director* of the City, has served in that capacity since June, 2002. Mr. Duran's experience includes 30 years of real estate and redevelopment experience, most of which was in the private sector. Mr. Duran came to the City from the San Jose Redevelopment Agency, where he served as a Senior Negotiations Officer before being promoted to Manager, Downtown Development and Implementation. Mr. Duran holds an A.S. Degree in Real Estate from Contra Costa College, a B.S. Degree in Business Administration from California State University at Hayward and an M.B.A. in Management from Golden Gate University.

**Recent Ratings Changes**

The City experienced significant financial and operating difficulties between 2002 and 2005. As a result of uncertainty over the City's financial condition and the impact of deficits in the City's pooled cash account, on January 13, 2004, Standard & Poor's suspended the Agency's credit ratings, and in March of 2004, Moody's Investors Service also suspended the Agency's credit ratings. The City announced in March of 2004 that it had a significant deficit in its pooled cash investment account as a

result of negative balances for the general fund of the City as well as several special funds, all of which were held in the pooled cash account. The Agency's funds were also held in the City's pooled cash account, but had a positive balance.

In June of 2004, the City Council, in its own capacity and in its capacity as the governing board of the Agency, took the following actions:

- Amended the Agency's Bylaws to require that all Agency funds be held in accounts separate and distinct from any City funds, and not commingled with any City funds;

- Appointed a Redevelopment Director who is not otherwise an employee of the City and gave the Director power to approve all expenditures of Agency funds (along with the Treasurer of the Agency, who is also the Finance Director of the City); and

- Transferred all Agency funds to separate bank accounts.

In October of 2004, Standard & Poor's and Moody's restored the Agency's credit ratings on its Outstanding Bonds, and Standard & Poor's assigned an "A-" underlying rating on the Bonds secured by the Merged Project Area, including the 2004 Bonds. In February 2007, Standard & Poor's confirmed its ratings on the Agency's Outstanding Bonds. The Agency believes that, as a result of the actions taken in June 2004 and the estimated tax increment and other revenues to be received by the Agency, the Agency will be able to meet all of its debt service obligations, continue to aggressively pursue its redevelopment programs and activities, and maintain financial stability into the future.

## THE MERGED PROJECT AREA

### Redevelopment Plans

The Agency is responsible for redevelopment in eleven project areas consisting of approximately 5,338 acres within the City. The City is located in Contra Costa County, 10 miles northeast of San Francisco. Under the Redevelopment Law, every redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project area. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law.

The goal of a redevelopment plan is to eliminate blighted conditions in the project area by undertaking appropriate projects pursuant to the Redevelopment Law. The objectives of the City's Redevelopment Plans are summarized as follows: (i) eliminate physical and economic blight in the project areas; (ii) stimulate residential, commercial, industrial, transit and port development in the project areas; (iii) provide for a range of commercial and industrial uses to stimulate strong local economic growth and job opportunities for residents; (iv) remove impediments to land development, guide development toward a high level of design standards, and aid in the removal or rehabilitation of functionally or structurally substandard buildings; (v) improve safety and security in the project areas; (vi) increase and improve the supply of low and moderate income housing in the City through the use of tax increment funds; and (vii) provide tax increment funds for the redevelopment activities that are needed to alleviate blighting conditions and repay bonded indebtedness.

### Merger and Amendment of the Project Areas

The Agency amended and merged together nine of its project areas for financial and time limit purposes which together constitute the "Merged Project Area". The Merged Project Area consists of nine formerly "independent" redevelopment project areas which were merged together on July 13, 1999 (the

"1999 Amendments") and include: Eastshore No. 1-A (the "Eastshore Project Area"); Potrero No. 1-C (the "Potrero Project Area"); Galvin No. 3-A (the "Galvin Project Area"); Harbor Gate No. 6-A (the "Harbor Gate Project Area"); Hensley No. 8-A (the "Hensley Project Area"); Downtown No. 10-A (the "Downtown Project Area"); Nevin Center No. 10-B (the "Nevin Center Project Area"); Harbour No. 11-A (the "Harbour Project Area") and North Richmond No. 12-A (the "North Richmond Project Area"). Under the Redevelopment Law, the merger of nine of the Agency's constituent project areas does not affect the senior pledge of tax increment revenues derived from the Harbour Project Area to the repayment of the Senior Harbour Bonds.

As part of the merger process, territory was added to the Eastshore Project Area, the Harbor Gate Project Area, the Hensley Project Area, the Downtown Project Area, the Nevin Center Project Area and the Harbour Project Area in 2000 (the "2000 Amendment Areas"), and additional territory was added to the Nevin Center Project Area in 2005 (the "2005 Amendment Area", and together with the 2000 Amendment Areas, the "Added Areas").

**Redevelopment Plan Limitations and Land Usage**

In 1993, the California Legislature enacted AB 1290. AB 1290 provides for, among other things, the placement of time limits on the effectiveness of every redevelopment plan and provides that after ten years from the termination date of a plan's effectiveness, subject to certain exceptions, no redevelopment agency shall pay indebtedness or receive property tax in connection therewith. AB 1290 further places a time limit on the incurrence of debt to the later of 20 years from the adoption of the redevelopment plan or January 1, 2004. This time limit to incur debt does not prevent agencies from refinancing indebtedness after expiration of the time limit if the indebtedness is not increased and the time during which the indebtedness is to be repaid does not exceed the date on which the original indebtedness would have been paid. The time limit for the incurrence of debt may be extended for a maximum of ten years by amendment of the redevelopment plan if the agency makes certain findings regarding significant blight remaining in the project area. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)."

In 2001, the California Legislature enacted SB 211, which allows a redevelopment agency to delete the debt incurrence date from its redevelopment plan for those project areas that were adopted prior to December 31, 1993. The amendment of the redevelopment plan can be accomplished without the need to follow noticing, hearing and documentation requirements for a normal plan amendment. The legislative body need only adopt an ordinance to delete the debt incurrence limit per SB 211. The Agency has deleted the debt incurrence limit from certain project areas, as shown below. Due to the SB 211 amendment, the required amount of AB 1290 pass through payments was increased for the 10A Downtown Project Area. Payments were triggered in 2004-05, which was six years sooner than was required if the SB 211 amendment were not processed. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – SB 211."

The Redevelopment Law was further amended by SB 1045 (chaptered as Chapter 260, Statutes of 2003) which authorizes a legislative body to adopt an ordinance to amend a redevelopment plan to extend by one year the time limit for the effectiveness of the plan and the time limit to pay indebtedness and receive property taxes, without the need to comply with the normal procedures and restrictions contained in the Redevelopment Law relating to the amendment of redevelopment plans. SB 1045 and SB 1096 (citation) required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend certain of their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by up to three years. The Agency has amended the Redevelopment Plan as authorized by SB 1045 and is in the process of amending the Redevelopment Plan as authorized by SB 1096.

Time Limits. The constituent project areas have various time limits for incurring debt. The following table summarizes the Agency's deadlines for incurring debt, last date to receive tax increment and various dates of adoption of the Redevelopment Plans and shows the current complement of land use and approximate size of each constituent project area or portion of each constituent project area within the Merged Project Area.

**Table 1**
**The Constituent Project Areas**

| Constituent Project Area | Primary Land Use | Acres | Original Adoption | Last Date to Incur Debt | Time Limit for Plan | Time Limit for TI Receipt |
|---|---|---|---|---|---|---|
| 1A Eastshore | Residential | 123 | 8/26/1957 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 1C Potrero | Residential | 150 | 4/4/1960 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 3A Galvin | Industrial | 95 | 2/28/1955 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 6A Harbor Gate (Original) | Industrial | 118 | 11/8/1954 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 8A Hensley (Original) | Industrial | 90.5 | 5/29/1960 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 8A Hensley (1980 Area) | Industrial | 23.5 | 3/31/1980 | Deleted[1] | 3/31/2023 | 3/31/2033 |
| 10A Downtown | Commercial | 107 | 5/23/1966 | Deleted[1] | 1/1/2012 | 1/1/2022 |
| 10B Nevin | Residential | 17 | 9/18/1972 | Deleted[1] | 9/18/2015 | 9/18/2025 |
| 11A Harbour | Commercial | 964 | 6/9/1975 | Deleted[1] | 6/9/2018 | 6/9/2028 |
| 12A North Richmond | Commercial | 19 | 9/18/1972 | Deleted[1] | 9/18/2015 | 9/18/2025 |
| 6A Harbor Gate (1995 Area) | Industrial | 616 | 6/26/1995 | 7/26/2015 | 7/26/2026 | 7/26/2041 |
| 1A Eastshore (1999 Area) | Commercial | 14 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 6A Harbor Gate (1999 Area) | Industrial | 16 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 8A Hensley (1999 Area) | Residential | 887 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10A Downtown (1999 Area) | Commercial | 174 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (1999 Area) | Commercial | 10 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 11A Harbour (1999 Area) | Commercial | 131 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (2005 Area) | Resid/Indust | 1,783 | 7/12/2005 | 7/12/2025 | 7/12/2035 | 7/12/2040 |

[1] The debt incurrence limit for this project area was deleted pursuant to an ordinance adopted by the City Council. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS – SB 211" herein.

Source: Fraser & Associates.

Cumulative Tax Increment Limit. As part ~~of the 1999~~ Amendments, a combined tax increment limit of $521,400,000 was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established the limit in each of the Constituent Projects. The combined tax increment limit does not apply to the Added Areas, nor to the territory that was added to the Harbour Gate Project Area on June 26, 1995 (the "1995 Area"). Those areas were added after the implementation of various changes to the Redevelopment Law that were triggered by AB 1290. In addition to the changes described above in "– Redevelopment Plan Limitations," AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2005-06 fiscal year, it is estimated that the Agency has received $156.8 million in tax increment for the portions of the Merged Project Area subject to the tax increment limit. Based on the projections of tax increment shown in the Fiscal Consultant Report, which are based on an assumed two percent annual increase in real property values, the cumulative tax increment limit will be reached in Fiscal Year 2025-26.

The Agency anticipates it will amend the redevelopment plans to increase the combined tax increment limit within the next 24 months, but no assurance can be given that such amendment will be

completed. Pursuant to the Indentures, the Agency is required to annually monitor the remaining unused portion of the combined tax increment limit and to escrow tax increment revenues for the purpose of paying future debt service on its bonds in the event that it determines that the combined tax increment limit would be reached prior to the maturity of the Agency's bonds. See "APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE - Covenants" and "APPENDIX C – SUMMARY OF THE HOUSING INDENTURE - Covenants."

Bonded Indebtedness Limit. The Agency, as a part of the 1999 Amendments, also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is $250 million and applies to the entire Merged Project Area except for the 2005 Amendment Area, which has a separate bonded debt limit of $150 million. As of June 30, 2006 the Agency had approximately $91.5 million in bonds outstanding under the $250 million limit, and no bonds outstanding for the 2005 Amendment Area. The Agency contemplates that it will also amend this limit in the future. See "APPENDIX H – FISCAL CONSULTANT REPORT."

**The Constituent Project Areas**

A description of the current and future development within the Merged Project Area follows. There can be no assurances that such development will actually occur. It is expected that additional public funds will be needed over the next several years to accomplish the goals of the Redevelopment Plans. The Agency expects to raise the additional public funds (i) by issuing future debt obligations, the repayment of which may be secured by Pledged Tax Revenues and (ii) from the proceeds of sale of land owned by the Agency in the Merged Project Area. Planned activities for all Project Areas include repaying bonded indebtedness, alleviating physical and economic blighting conditions, and constructing and/or rehabilitating public infrastructure and public facility improvements in order to stimulate development.

*Eastshore Project Area*. The Eastshore Project Area is comprised of 137 acres, including 14 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized by single story retail stores fronting San Pablo Avenue. Currently, Agency staff is unaware of any major development projects being considered or planned for this project area at this time. The following activity is planned:

- Provide assistance in the removal or rehabilitation of structurally substandard buildings.
- Continue to implement a facade improvement program for existing businesses established in 2006.

*Galvin 3A Project Area*. The Galvin Project Area is a 95-acre light industrial development containing distribution facilities, light assembly and research and development businesses. The Agency does not receive tax increment from personal property in the Galvin Project Area as further described in "BOND OWNERS' RISKS - Tax Collection Agreement." Redevelopment activities have included an extension of Standard Avenue, the construction and rehabilitation of streets, right-of-way acquisition and installation and upgrades to storm and sanitary sewers, water and utility lines, street lighting and infrastructure.

*Harbor Gate Project Area*. The Harbor Gate Project Area is comprised of 750 acres, including 16 acres added as part of the 1999 Amendments and 616 acres added by the 1995 amendment. This acreage is all characterized by underdeveloped/underutilized property, inadequate infrastructure and obsolete parcelization. The Agency does not receive tax increment from personal property in the Harbor Gate Project Area as further described in "BOND OWNERS' RISKS - Tax Collection Agreement."

Projects completed or under construction include: (i) a 300,000 square foot expansion of the 480,000 square foot Department of Health Services State Laboratory facility, completing the 780,000 facility, which houses approximately 1,200 employees; (ii) a 31,000 square foot highway commercial center anchored by a Longs Drug Store; and (iii) an 86-acre parcel being considered for mixed-use development to include office, research and development and light industrial uses, including over one hundred thousand square feet of light industrial condominiums. Other developers have expressed interest in development opportunities within this project area, however, no major projects are under review by the Agency or City at this time. The following activity is planned:

- Complete the public improvement program for the South Richmond Shoreline area.
- Implement activities to provide for continued residential, commercial, industrial and research and development (R&D) projects.
- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Continue to provide assistance for improvements to railroad crossing protection and safety upgrades.
- Assist in the remediation of contaminated property.
- Facilitate the redevelopment of underutilized waterfront property.

*Hensley Project Area*. The Hensley Project Area is comprised of 1,001 acres, including 887 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized by underutilized industrial parcels. Large commercial and industrial development projects are being considered for this site, however, no large projects have been formally presented to the Agency or City for review and consideration. A number of smaller light industrial projects have moved forward. A thirty-unit affordable housing project has been completed as well as several in-fill homes, with several more under construction. Significant streetscape improvements have also been completed on Kelsey Street. The following activity is planned:

- Facilitate development of high quality light industrial/R&D, commercial and residential development.
- Assist in the remediation of contaminated property.

*Downtown Project Area*. The Downtown Project Area is comprised of 281 acres, including 174 acres added to this project area as part of the 1999 Amendments. The new acreage is characterized primarily by older, single and two story commercial/retail buildings fronting Macdonald Avenue. The "Macdonald Avenue Economic Revitalization Plan," is being implemented, including streetscapes, residential, retail, mixed-use and adaptive re-use development. A major 190,000 square foot retail project, Macdonald 80, is now under construction on the former Montgomery Ward site, which will be anchored by a new 140,000 square foot Target store at Macdonald Avenue and Interstate 80. The adjacent former Toys "R" Us site has been ground-leased by a developer and the Agency is in discussions regarding the development of a Lowe's store on that site. The sites have been vacant for several years following the bankruptcy of Montgomery Ward and the closing of Toys "R" Us.

The first phase of the transit village known as Metro-Walk is complete, with all 132 townhomes sold. A new intermodel BART/Amtrak station is nearing completion and funding (mostly from government grants) is in place for an 800+ space parking garage at the intermodel station. An additional 200 units of workforce housing are planned for BART's current east parking lot. A 237-unit residential-over-retail project known as the 12$^{th}$ and Macdonald Mixed-Use Project, located three blocks from the

intermodel transit station, is fully entitled and scheduled to break ground this summer. A 180-unit mixed-income project is planned for the Miraflores site and will include affordable and market rate housing on a former nursery site purchased by the Agency. Planning is also underway for new streetscapes that will include the 48-block length of Macdonald Avenue. Additional planned activity includes:

- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Facilitate the development of new retail services to serve local residents and businesses.
- Implement the Macdonald Avenue Economic Revitalization Plan.
- Implement the façade improvement program.

*Nevin Center Project Area.* The Nevin Center Project Area is comprised of 1,810 acres, with 1,783 acres added as part of the 2005 Amendments and including 10 acres added as part of the 1999 Amendments. The new acreage is characterized by vacant lots, abandoned buildings, underutilized facilities and residential areas suffering from blighting conditions. Plans in this area include residential development, the revitalization of Nevin Park and the completion of the Macdonald Avenue streetscapes. Three significant affordable housing projects are entitled and are expected to break ground in 2007: the 66-unit Macdonald Place Senior Project, the 26-unit Lillie Mae Jones Project, and the 10-unit Nevin Avenue condominium project. The most significant single project in this area is the joint City-Agency Civic Center Revitalization Project. The City expects to issue bonds and provide approximately $20 million in cash for phase one of the Civic Center project, which will include the total renovation of City Hall, the old Hall of Justice (which will house the Agency) and the Civic Plaza, as well as seismic upgrades to the 3,500 seat Memorial Auditorium building. Future phases include a new police station, a new library, and two blocks of residential over retail development on Macdonald Avenue when a new parking structure is financed. Additional planned activity includes:

- Assist with the removal and rehabilitation of structurally substandard buildings and consolidate irregularly shaped parcels.
- Implement the Macdonald Avenue Revitalization Plan.

*North Richmond 12A Project Area.* The North Richmond Project Area is comprised of 19 acres. This project area is located in the northern portion of the City. Agency activities in the North Richmond Project Area have focused on the construction and rehabilitation of housing units. Significant streetscape improvements have been completed on Kelsey Street. The Agency plans to continue the rehabilitation of affordable housing and improve safety and security in the neighborhood.

*Potrero 1C Project Area.* The Potrero Project Area is a 150-acre residential project redeveloped with housing and various public improvements, including the Richmond Swim Complex. The major roadway through the Potrero Project Area is Cutting Boulevard. The Agency has made significant progress in achieving the Redevelopment Plan goals in the Potrero Project Area. Major housing developments, Eastshore Manor I and Eastshore Manor II, have been completed, as well as the Richmond Swim Complex, which opened in 1999. The following activity is planned:

- Assist with the improvement and upgrade of Carlson and Cutting Boulevards.
- Construct/rehabilitate public infrastructure and public facility improvements to stimulate new development.

*Harbour Project Area.* The 1,103-acre Harbour Project Area, is denominated on the Map as "VI Harbour." Historically, the Harbour Project Area consisted of Port of Richmond related commercial

activities and industrial activities. Presently, it includes residential and commercial uses, marina, parks and research and development facilities and the port.

Development within the Harbour Project Area occurs pursuant to the Redevelopment Plan. In addition, development within the Marina Bay portion of the Harbour Project Area also occurs pursuant to (i) the Master Agreement, dated as of December 17, 1984, as amended (the "Master Agreement"), among the Agency, the City and Penterra Company, an Oklahoma corporation ("Penterra"), and (ii) the Marina Bay Development Agreement, dated as of December 17, 1994, as amended (the "Development Agreement" and, together with the Master Agreement, collectively, the "Penterra Agreements"), among the Agency, the City and Penterra. Effective March 1, 1996, Penterra assigned to Penterra LLC its remaining interests under the Master Agreement and the Development Agreement. For additional information regarding development within the Harbour Project Area, see "Development" below.

Within the Harbour Project Area, the Agency continues to construct public infrastructure and public facility improvements to stimulate new development, including the implementation of a public improvement program designed to complement the diversity of land users as well as providing a distinct identity for this area. Public improvements completed or in progress include landscaping, signage, lighting, streets, bikeways and enhancement of existing parks and trails systems.

The Agency also continues to assist in the economic development of the Harbour Project Area by promoting the development of underutilized properties through rehabilitation and seismic upgrading, remediation of certain properties located in the Harbour Project Area and assistance with offsite improvement.

Upon completion of the redevelopment project, estimated to occur in 2015, the Harbour Project Area will consist of Marina Bay, a water oriented community comprised of over 2,200 single family homes, townhouses and apartments, and commercial, industrial research and development and marine development, including a 1,500-berth pleasure boat marina. The balance of the Harbour Project Area will consist of office, commercial and light industrial space.

Development. Pursuant to the Redevelopment Plan, the following uses, together with appurtenant accessory uses and utility and public safety facilities, are permitted: port and industrial, commercial, residential and public use and open space. Within each of these uses, the Redevelopment Plan incorporates various criteria regarding future development, including (i) commercial use, permitting the establishment of retail stores, restaurants, parking facilities, parks and other consistent uses authorized by the Agency, (ii) residential use, limiting the overall average density to approximately 30 dwelling units per net useable acre, provided that such development is consistent with current optimum land planning standards, and setting the approximate number of dwelling units in the project area at 2,000 to 2,500, and (iii) public use and open space, requiring at least 135 acres of property within the project area to be devoted to public parks, landscaped areas, a boat marina and all other necessary ancillary uses.

To date, over 2,100 residential units and approximately 1,000,000 square feet of commercial space within the Harbour Project Area have been developed pursuant to the Redevelopment Plan. At present, approximately 40 acres, or approximately five percent of the property within the Harbour Project Area, is vacant and is expected to be developed primarily for commercial use.

Penterra Agreements. Certain development within the Harbour Project Area, consisting of approximately 363 acres within the Richmond Inner Harbor Basin (Marina Bay) (the "Marina Bay Project Site"), is governed by the Master Agreement and the Development Agreement. Under the Master Agreement, Penterra LLC acts as the "Master Developer" of private development within the Marina Bay Project Site by its direct development of this property or by causing others to develop this property. The

Master Agreement governs certain rights and obligations among Penterra LLC, the Agency and the City. The Development Agreement governs the development of the Marina Bay Project Site, including the installation of necessary improvements and the provision of public services appropriate to each stage of the development. The Penterra Agreements expire by their terms on December 31, 2009, unless extended or terminated by mutual agreement of the parties thereto.

To date, over 2,100 residential units and approximately 400,000 square feet of commercial space within the Marina Bay project site have been developed pursuant to the Penterra Agreements.

While it is anticipated that additional projects will be developed by Penterra LLC under the Penterra Agreements, there can be no assurance that such projects will actually be developed. One project, the 128-unit townhome project by Signature Properties is under construction, which will include over 20,000 square feet of retail space on the "North Shore" of Marina Bay and another project by Toll Brothers is under contract and entitled to build 269 condominiums on the "West Shore" of Marina Bay.

The Regatta Center consists of a 49-acre complex including buildings for commercial and light industrial uses. The total proposed project area is approximately 2,165,700 square feet, including buildings (approximately 725,300 square feet), parking areas and road improvements (approximately 974,600 square feet) and landscaping (approximately 465,800 square feet). The first phase of this multi-phased development is located on the north side of Regatta Boulevard and includes 138,000 square feet of office flex space. Construction of Phase Two of this development (see *DiCon Fiberoptics Inc. Office Campus* below), consisting of approximately 465,000 square feet of space, was completed in 2002.

*Dicon Fiberoptics Inc. Office Campus.* Dicon has completed the initial phase of an office and research and development complex. The Phase I development includes 67,493 square feet of office use, 136,575 square feet in three research and development buildings, and 15,000 square feet of ancillary uses. Two additional phases, which have not been included in the tax increment projections, were planned to include 228,000 square feet of research and development uses. However, Dicon has sold one large parcel to Pulte Homes, now under construction, for a 208-unit residential for-sale townhome project. Tax increments from this project have not been included in current tax increment projections.

*Bay West Group.* The construction of this office/flex project is complete and includes research and development and light industrial uses. This four building complex currently houses a national call center for a telecommunications company, a design firm, and a high-technology manufacturer of testing and calibration equipment. This complex has experienced high occupancy rates in spite of regional trends.

*Marina Center.* In June 2000, the Agency sold this property to a Bay Area developer. Construction has been completed on the rehabilitation of two existing industrial buildings with a total of approximately 90,000 square feet. The Agency land sale added taxable value to the fiscal year 2001-02 tax roll, with the rehabilitation of the buildings adding value in 2002-03. Future plans on the site include the construction of 180,000 square feet of new light industrial uses that have not been included in the projections.

There are two additional significant projects on the South Shoreline. The historic 517,000 square foot Ford Assembly Building has been sold by the Agency to Orton Development and is now about 88% leased and 20% occupied. All leased space is under construction with occupancy scheduled for January 2008. The second project is the former City Terminal One site located in the Brickyard Cove area. The 13.5 acre parcel will be developed by Toll Brothers into approximately 258 high-end residential condominiums, many of which will have San Francisco Bay views. Approval of all entitlements is

pending and the project is expected to be under construction in 2008. Additional planned activities include:

- Facilitate development of high quality light industrial/R&D, commercial and residential development.
- Facilitate the development of new retail services to serve local residents and businesses.
- Continue to provide assistance for improvements to railroad crossing protection and safety upgrades.

**Tax Collection Agreement**

As the result of an agreement between the County and the Agency relating to the Galvin Project Area and the original Harbor Gate Project Area, in calculating tax increment, the County only includes secured real property. Although the two constituent project areas were originally adopted in the 1950's, the Agency did not begin to claim tax increment from the Galvin Project Area and the original Harbor Gate Project Area until the mid 1990's. At that time, records on base year values for said project areas were not available. The County and the Agency agreed to use only the secured real property values from the earliest year for which records were available (Fiscal Year 1967-68). Consequently, only secured real property is included in the calculation of tax increment revenues for these two constituent project areas. The Agency believes that the foregoing method of calculating tax increment for said project areas will not materially adversely affect the Agency's ability to pay debt service on the Bonds.

**Taxable Values and Tax Increment Revenues**

For the Merged Project Area, set forth below in Table 2, Table 3, and Table 4, respectively are historical taxable values and tax increment revenues from fiscal years 2002-03 to 2006-07, the ten major property tax assessees and a projection of incremental tax revenue from Fiscal Years 2006-07 to 2036-37. Tax increment revenues may be reduced in the future as a result of a number of factors. See "BOND OWNERS' RISKS."

Table 5 sets forth assessed taxable property values and tax increment revenues for Fiscal Year 2006-07 disaggregated by individual Project Area.

## TABLE 2
## Richmond Community Redevelopment Agency
## Historical Taxable Values and Tax Increment Revenues [1]
## Merged Project Area

| Description | 2002/03 | 2003/04 | % Change | 2004/05 | % Change | 2005-06 | % Change | 2006-07 [3] | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Secured | $1,192,561,854 | $1,385,790,906 | 16.20% | $1,451,720,473 | 4.76% | $1,614,074,406 | 11.18% | $3,013,490,161 | 86.70% |
| Utility Roll | 1,905,016 | 5,995,261 | 0.00 | 3,279,581 | 0.00 | 3,492,968 | 0.00 | 4,373,439 | 0.00 |
| Unsecured | 99,591,242 | 128,938,843 | 29.47 | 163,232,370 | 26.60 | 145,455,195 | -10.89 | 216,205,943 | 48.64 |
| TOTAL VALUE | 1,294,058,112 | 1,520,725,010 | 17.52 | 1,618,232,424 | 6.41 | 1,763,022,569 | 8.95 | 3,234,069,543 | 83.44 |
| Base Year Value | 281,225,459 | 426,143,038 | | 426,143,038 | | 426,143,038 | | 1,256,027,439 | |
| Incremental Value | 1,012,832,653 | 1,094,581,972 | | 1,192,089,386 | | 1,336,879,531 | | 1,978,042,104 | |
| Tax Increment Levy | 11,613,183 | 12,541,764 | | 13,658,942 | | 15,317,926 | | 22,719,173 | |
| Unitary Revenue | 114,595 | 119,645 | | 116,546 | | 123,702 | | 113,069 | |
| Less Pass Through[3] | (178,245) | (239,420) | | (324,149) | | (434,072) | | 0 | |
| Less Admin Fee[3] | (126,128) | (113,439) | | (129,843) | | (131,967) | | 0 | |
| TOTAL LEVY | $11,423,405 | $12,308,550 | | $13,321,496 | | $14,875,589 | | $22,832,242 | |
| Actual Receipts, less Supplemental Revenue | 11,426,101 | 12,301,423 | | 13,240,987 | | 14,777,511 | | N/A | |
| PERCENTAGE OF LEVY | 100.02% | 99.94% | | 99.40% | | 99.34% | | N/A | |
| Supplemental Revenues | 843,229 | 441,053 | | 723,246 | | 1,035,633 | | N/A | |
| TOTAL RECEIPTS | 12,269,330 | 12,742,476 | | 13,964,233 | | 15,813,144 | | N/A | |
| PERCENTAGE OF LEVY | 107.41% | 103.53% | | 104.82% | | 106.30% | | N/A | |

| | |
|---|---|
| Total Percentage Assessed Value Change[2] | 36.24% |
| Average Percentage Assessed Value Change[2] | 10.86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99.65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105.51% |

(1) Includes the entire Merged Project Area.
(2) Comparison between 2002-03 and 2005-06. The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth. See Table 1.2 in "APPENDIX H – FISCAL CONSULTANT REPORT" for trend information excluding Area 10B.
(3) Actual amounts from County for 2006-07 not yet available.

Source: Fraser & Associates.

**TABLE 3**
**Ten Major Property Tax Assessees**
**Merged Project Area**

| Assessee | Types of Use | 2006-07 Taxable Value [1] | % of Tax Total Value [2] | % of Tax Increment Value [2] |
|---|---|---|---|---|
| Lennar Emerald Marina Shores | Residential | $156,901,225 | 4.85% | 7.93% |
| Lennar Emerald Marina Bay LLC | Residential | 51,007,204 | 1.58 | 2.58 |
| Cherokee Simeon Venture I LLC | Commercial | 44,987,470 | 1.39 | 1.39 |
| Dicon Fiberoptics Inc. | Industrial | 44,044,102 | 1.36 | 2.23 |
| Foss Maritime Company | Unsecured | 34,369,332 | 1.06 | 1.74 |
| California Fats & Oils Inc. | Industrial | 34,095,361 | 1.05 | 1.72 |
| Kaiser Foundation Hospital | Hospital | 33,168,981 | 1.03 | 1.68 |
| BP West Coast Products | Industrial | 26,812,546 | 0.83 | 1.36 |
| Tosco Corporation | Industrial | 26,712,258 | 0.83 | 1.35 |
| GATX Terminals Corporation | Industrial | 20,694,977 | 0.64 | 1.05 |
| **Total Valuation** | | **$448,257,022** | **13.86%** | **22.66%** |

[1] Based on ownership of locally-assessed secured and unsecured property.
[2] Based on 2006-07 Project Area taxable value of $3,234,069,543 and incremental value of $1,978,042,104.

Source: Contra Costa County Assessor Records.

**TABLE 4**
**Richmond Community Redevelopment Agency**
**Projection of Incremental Tax Revenue**
**Merged Project Area**
**(000's Omitted)**

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1,256,027 | Tax (4) Increment | Unitary(5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set-Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior(8) Harbour Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006-2007 | N/A | N/A | $3,064,649 | $169,421 | $3,234,070 | $1,978,042 | $22,718 | $113 | $22,831 | $206 | $4,566 | $2,311 | $15,748 | $2,337 | $13,411 |
| 2007-2008 | 3,111,231 | 16,000 | 3,127,231 | 169,421 | 3,296,651 | 2,040,624 | 23,419 | 113 | 23,532 | 212 | 4,706 | 2,468 | 16,146 | 2,337 | 13,809 |
| 2008-2009 | 3,189,775 | 22,400 | 3,212,175 | 169,421 | 3,381,596 | 2,125,568 | 24,378 | 113 | 24,491 | 220 | 4,898 | 2,667 | 16,705 | 2,337 | 14,369 |
| 2009-2010 | 3,276,419 | 25,600 | 3,302,019 | 169,421 | 3,471,439 | 2,215,412 | 25,393 | 113 | 25,506 | 230 | 5,101 | 2,877 | 17,298 | 2,337 | 14,961 |
| 2010-2011 | 3,368,059 | 0 | 3,368,059 | 169,421 | 3,537,480 | 2,281,452 | 26,136 | 113 | 26,249 | 236 | 5,250 | 3,039 | 17,724 | 2,337 | 15,387 |
| 2011-2012 | 3,435,420 | 0 | 3,435,420 | 169,421 | 3,604,841 | 2,348,813 | 26,894 | 113 | 27,007 | 243 | 5,401 | 3,225 | 18,137 | 2,337 | 15,801 |
| 2012-2013 | 3,504,129 | 0 | 3,504,129 | 169,421 | 3,673,549 | 2,417,522 | 27,669 | 113 | 27,782 | 250 | 5,556 | 3,416 | 18,560 | 2,337 | 16,223 |
| 2013-2014 | 3,574,211 | 0 | 3,574,211 | 169,421 | 3,743,632 | 2,487,604 | 28,460 | 113 | 28,573 | 257 | 5,715 | 3,610 | 18,991 | 2,337 | 16,655 |
| 2014-2015 | 3,645,695 | 0 | 3,645,695 | 169,421 | 3,815,116 | 2,559,089 | 29,267 | 113 | 29,380 | 265 | 5,876 | 3,813 | 19,427 | 2,337 | 17,090 |
| 2015-2016 | 3,718,609 | 0 | 3,718,609 | 169,421 | 3,888,030 | 2,632,002 | 30,092 | 113 | 30,204 | 272 | 6,041 | 4,065 | 19,826 | 2,337 | 17,490 |
| 2016-2017 | 3,792,981 | 0 | 3,792,981 | 169,421 | 3,962,402 | 2,706,375 | 30,933 | 113 | 31,046 | 280 | 6,209 | 4,323 | 20,234 | 2,337 | 17,898 |
| 2017-2018 | 3,868,841 | 0 | 3,868,841 | 169,421 | 4,038,262 | 2,782,234 | 31,792 | 113 | 31,905 | 287 | 6,381 | 4,638 | 20,599 | 2,337 | 18,262 |
| 2018-2019 | 3,946,218 | 0 | 3,946,218 | 169,421 | 4,115,639 | 2,859,611 | 32,668 | 113 | 32,781 | 295 | 6,556 | 4,959 | 20,971 | 2,337 | 18,634 |
| 2019-2020 | 4,025,142 | 0 | 4,025,142 | 169,421 | 4,194,563 | 2,938,535 | 33,563 | 113 | 33,676 | 303 | 6,735 | 5,286 | 21,351 | 2,337 | 19,014 |
| 2020-2021 | 4,105,645 | 0 | 4,105,645 | 169,421 | 4,275,066 | 3,019,038 | 34,476 | 113 | 34,589 | 311 | 6,918 | 5,620 | 21,739 | 2,337 | 19,402 |
| 2021-2022 | 3,559,661 | 0 | 3,559,661 | 142,097 | 3,701,758 | 2,484,194 | 28,320 | 65 | 28,385 | 256 | 5,677 | 5,012 | 17,441 | 2,337 | 15,104 |
| 2022-2023 | 3,630,854 | 0 | 3,630,854 | 142,097 | 3,772,951 | 2,555,387 | 29,131 | 65 | 29,197 | 263 | 5,839 | 5,311 | 17,784 | 2,337 | 15,447 |
| 2023-2024 | 3,703,471 | 0 | 3,703,471 | 142,097 | 3,845,568 | 2,628,004 | 29,959 | 65 | 30,025 | 270 | 6,005 | 5,615 | 18,134 | 0 | 18,134 |
| 2024-2025 | 3,741,749 | 0 | 3,741,749 | 142,097 | 3,883,846 | 2,668,011 | 30,415 | 61 | 30,477 | 274 | 6,095 | 5,856 | 18,251 | 0 | 18,251 |
| 2025-2026 | 2,376,227 | 0 | 2,376,227 | 46,700 | 2,422,928 | 1,258,412 | 14,346 | 6 | 14,352 | 129 | 2,870 | 3,771 | 7,582 | 0 | 7,582 |
| 2026-2027[9] | 2,423,752 | 0 | 2,423,752 | 46,700 | 2,470,452 | 1,305,936 | 14,888 | 6 | 14,894 | 134 | 2,979 | 3,970 | 7,811 | 0 | 7,811 |
| 2027-2028 | 2,472,227 | 0 | 2,472,227 | 46,700 | 2,518,927 | 1,354,411 | 15,440 | 6 | 15,446 | 139 | 3,089 | 4,179 | 8,039 | 0 | 8,039 |
| 2028-2029 | 2,521,672 | 0 | 2,521,672 | 46,700 | 2,568,372 | 1,403,856 | 16,004 | 6 | 16,010 | 144 | 3,202 | 4,393 | 8,271 | 0 | 8,271 |
| 2029-2030 | 2,572,105 | 0 | 2,572,105 | 46,700 | 2,618,805 | 1,454,289 | 16,579 | 6 | 16,585 | 149 | 3,317 | 4,610 | 8,508 | 0 | 8,508 |
| 2030-2031 | 2,623,547 | 0 | 2,623,547 | 46,700 | 2,670,247 | 1,505,731 | 17,165 | 6 | 17,171 | 155 | 3,434 | 4,832 | 8,750 | 0 | 8,750 |
| 2031-2032 | 2,676,018 | 0 | 2,676,018 | 46,700 | 2,722,718 | 1,558,202 | 17,764 | 6 | 17,770 | 160 | 3,554 | 5,073 | 8,982 | 0 | 8,982 |
| 2032-2033 | 2,729,538 | 0 | 2,729,538 | 46,700 | 2,776,238 | 1,611,723 | 18,374 | 6 | 18,380 | 166 | 3,676 | 5,290 | 9,248 | 0 | 9,248 |
| 2033-2034 | 2,784,129 | 0 | 2,784,129 | 46,700 | 2,830,829 | 1,666,313 | 18,996 | 6 | 19,002 | 171 | 3,800 | 5,570 | 9,460 | 0 | 9,460 |
| 2034-2035 | 2,839,812 | 0 | 2,839,812 | 46,700 | 2,886,512 | 1,721,996 | 19,631 | 6 | 19,637 | 177 | 3,927 | 5,826 | 9,706 | 0 | 9,706 |
| 2035-2036 | 2,896,608 | 0 | 2,896,608 | 46,700 | 2,943,308 | 1,778,792 | 20,278 | 6 | 20,284 | 183 | 4,057 | 6,087 | 9,957 | 0 | 9,957 |
| 2036-2037 | 2,954,540 | 0 | 2,954,540 | 46,700 | 3,001,240 | 1,836,724 | 20,939 | 6 | 20,945 | 189 | 4,189 | 6,354 | 10,213 | 0 | 10,213 |

(1) Prior Year Real Property increased by 2 percent per year. The value for 2007-08 has been reduced for exempt property and appeals.
(2) Based on 128 unit Anchor Cove townhouse development.
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to the total incremental taxable value.
(5) Based on amount reported by Contra Costs County for 2006-07.
(6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06.
(7) Tax sharing payments per AB 1290.
(8) Maximum annual debt service on Senior Harbour bonds.
(9) Reflects year in which tax increment limit is projected to be reached for a portion of the Project Area.

Source: Fraser & Associates.

**TABLE 5**
**Richmond Community Redevelopment Agency**
**Projection of Incremental Tax Revenue**
**Merged Project Area**

| Project Area | 2006-07 Total Value | Base Value | Taxable Value | Tax Increment | % of Total |
|---|---|---|---|---|---|
| Project No. 8A Original | $74,962,409 | $1,541,220 | $73,421,189 | $843,242 | 3.7% |
| Project No. 1C | 112,099,881 | 2,309,052 | 109,790,829 | 1,260,948 | 5.6 |
| Project No. 1A | 51,456,661 | 1,503,600 | 49,953,061 | 573,711 | 2.5 |
| Project No. 11A | 1,028,774,063 | 51,052,120 | 977,721,943 | 11,229,137 | 49.4 |
| Project No. 12A | 11,666,574 | 658,660 | 11,007,914 | 126,426 | 0.6 |
| Project No. 8A 1980 Addition | 4,559,193 | 266,960 | 4,292,233 | 49,296 | 0.2 |
| Project No. 6A Original | 57,261,769 | 3,560,300 | 53,701,469 | 616,761 | 2.7 |
| Project No. 10B | 13,393,044 | 1,070,628 | 12,322,416 | 141,523 | 0.6 |
| Project No. 3A | 84,133,447 | 8,259,280 | 75,874,167 | 871,415 | 3.8 |
| Project No. 10A | 117,946,842 | 21,289,740 | 96,657,102 | 1,110,107 | 4.9 |
| Project No. 11A 2000 | 8,923,331 | 2,532,496 | 6,390,835 | 73,399 | 0.3 |
| Project No. 8A 2000 | 202,001,428 | 75,012,622 | 126,988,806 | 1,458,466 | 6.4 |
| Project No. 10B 2000 | 3,289,606 | 1,233,435 | 2,056,171 | 23,615 | 0.1 |
| Project No. 10A 2000 | 125,343,441 | 88,436,941 | 36,906,500 | 423,871 | 1.9 |
| Project No. 1A 2000 | 24,757,468 | 17,592,043 | 7,165,425 | 82,295 | 0.4 |
| Project No. 10B 2004 | 1,134,816,180 | 827,351,905 | 307,464,275 | 3,531,227 | 15.5 |
| Project No. 6A 2000 | 9,116,222 | 7,438,858 | 1,677,364 | 19,265 | 0.1 |
| Project No. 6A 1995 Addition | 169,567,984 | 144,917,579 | 24,650,405 | 283,110 | 1.2 |
| **TOTAL** | **$3,234,069,543** | **$1,256,027,439** | **$1,978,042,104** | **$22,717,814** | **100.0%** |

Source: Fraser & Associates.

## PROJECTED DEBT SERVICE COVERAGE

The following tables present the projected debt service coverage on the Bonds and Parity Obligations related to each Series of Bonds. Tables 6 and 7 present the Non-Housing Tax Revenues and payments on Senior Non-Housing Debt Service, the obligations under the 2004 Non-Housing Loan Agreement, the Series 2007A Bonds and the debt service coverage ratio. Tables 8 and 9 present the Housing Tax Revenues and payments under the Pre-2004 Loan Agreement (but only with respect to the payments thereunder required to be paid from amounts allocable to the Agency's Housing Fund in respect of the Series 2000B Bonds), the obligations under the 2004 Housing Loan Agreement, the Series 2007B Bonds and the debt service coverage ratio. There can be no assurance that actual Non-Housing Tax Revenues and Housing Tax Revenues will be equal to the amounts projected. See "BOND OWNERS' RISKS."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

## TABLE 6
## Richmond Community Redevelopment Agency
## Tax Revenues
## Projected Debt Service Coverage
## (Assuming No Growth in Assessed Value)

| Fiscal Year | Non-Housing Tax Revenues | 2000 Series A Debt Service | 2003 Debt Service | 2004 Series A (Non-Housing Share) Debt Service | 2007 ARS Swap-to-Fixed Debt Service[1] | Total Debt Service | Coverage (%) |
|---|---|---|---|---|---|---|---|
| 2007 - 2008 | 13,260,485 | 2,322,635 | 1,515,771 | 593,235 | 1,258,925 | 5,690,566 | 233% |
| 2008 - 2009 | 13,260,552 | 2,317,441 | 2,282,012 | 595,261 | 4,246,800 | 9,441,514 | 140% |
| 2009 - 2010 | 13,260,552 | 2,320,040 | 2,282,833 | 591,860 | 4,243,009 | 9,437,742 | 141% |
| 2010 - 2011 | 13,260,552 | 2,319,720 | 2,280,250 | 593,189 | 4,246,660 | 9,439,819 | 140% |
| 2011 - 2012 | 13,260,552 | 2,319,860 | 2,273,606 | 594,021 | 4,247,544 | 9,435,030 | 141% |
| 2012 - 2013 | 13,260,552 | 2,315,210 | 2,278,127 | 594,412 | 4,245,659 | 9,433,407 | 141% |
| 2013 - 2014 | 13,260,552 | 2,310,510 | 2,274,253 | 594,455 | 4,255,728 | 9,434,946 | 141% |
| 2014 - 2015 | 13,260,552 | 2,310,250 | 2,271,345 | 594,102 | 4,257,528 | 9,433,225 | 141% |
| 2015 - 2016 | 13,260,552 | 2,304,025 | 2,269,321 | 593,420 | 4,261,072 | 9,427,837 | 141% |
| 2016 - 2017 | 13,260,552 | 2,297,450 | 2,264,010 | 592,273 | 4,275,977 | 9,429,710 | 141% |
| 2017 - 2018 | 13,260,552 | 2,295,525 | 2,265,816 | 590,748 | 4,272,205 | 9,424,294 | 141% |
| 2018 - 2019 | 13,260,552 | 2,292,413 | 2,264,086 | 588,968 | 4,279,794 | 9,425,261 | 141% |
| 2019 - 2020 | 13,260,552 | 104,675 | 2,697,828 | 2,727,897 | 3,900,644 | 9,431,043 | 141% |
| 2020 - 2021 | 13,260,552 | 110,213 | 2,696,135 | 524,982 | 6,055,417 | 9,386,746 | 141% |
| 2021 - 2022 | 9,493,149 | 110,356 | 2,693,536 | 523,880 | 3,413,732 | 6,741,504 | 141% |
| 2022 - 2023 | 9,493,149 | 37,206 | 2,689,769 | 600,219 | 3,413,590 | 6,740,784 | 141% |
| 2023 - 2024 | 11,829,711 | 35,894 | 2,685,063 | 520,198 | 5,137,923 | 8,379,077 | 141% |
| 2024 - 2025 | 11,649,229 | 39,450 | 4,312,315 | 507,227 | 3,418,236 | 8,277,228 | 141% |
| 2025 - 2026 | 11,649,229 | 37,875 | 4,307,908 | 508,890 | 3,420,558 | 8,275,230 | 141% |
| 2026 - 2027 | 11,649,229 | 36,300 | - | 4,817,568 | 3,419,321 | 8,273,189 | 141% |
| 2027 - 2028 | 11,649,229 | 39,594 | - | - | 8,145,354 | 8,184,948 | 142% |
| 2028 - 2029 | 3,501,871 | 37,756 | - | - | 2,430,356 | 2,468,112 | 142% |
| 2029 - 2030 | 3,501,871 | 35,919 | - | - | 2,430,448 | 2,466,367 | 142% |
| 2030 - 2031 | 3,463,085 | - | - | - | 2,437,587 | 2,437,587 | 142% |
| 2031 - 2032 | 3,463,085 | - | - | - | 2,436,655 | 2,436,655 | 142% |
| 2032 - 2033 | 3,463,085 | - | - | - | 2,432,757 | 2,432,757 | 142% |
| 2033 - 2034 | 3,463,085 | - | - | - | 2,430,800 | 2,430,800 | 142% |
| 2034 - 2035 | 3,463,085 | - | - | - | 2,430,587 | 2,430,587 | 142% |
| 2035 - 2036 | 3,463,085 | - | - | - | 2,427,013 | 2,427,013 | 143% |
| 2036 - 2037 | 3,463,085 | - | - | - | 2,424,985 | 2,424,985 | 143% |

[1] Estimated. Represents fixed payment obligations under the 2007 Swap.

Sources: Fraser & Associates for Tax Revenues and RBC Capital Markets.

## TABLE 7
## Richmond Community Redevelopment Agency
## Tax Revenues
## Projected Debt Service Coverage
## (Assuming 2% Growth in Assessed Value)

| Fiscal Year | Non-Housing Tax Revenues[1] | 2000 Series A Debt Service | 2003 Debt Service | 2004 Series A (Non-Housing Share) Debt Service | 2007 ARS Swap-to-Fixed Debt Service[2] | Total Debt Service | Coverage (%) |
|---|---|---|---|---|---|---|---|
| 2007 - 2008 | 13,882,561 | 2,322,635 | 1,515,771 | 593,235 | 1,258,925 | 5,690,566 | 244% |
| 2008 - 2009 | 14,443,276 | 2,317,441 | 2,282,012 | 595,261 | 4,246,800 | 9,441,514 | 153% |
| 2009 - 2010 | 15,037,411 | 2,320,040 | 2,282,833 | 591,860 | 4,243,009 | 9,437,742 | 159% |
| 2010 - 2011 | 15,464,857 | 2,319,720 | 2,280,250 | 593,189 | 4,246,660 | 9,439,819 | 164% |
| 2011 - 2012 | 15,879,832 | 2,319,860 | 2,273,606 | 594,021 | 4,247,544 | 9,435,030 | 168% |
| 2012 - 2013 | 16,303,767 | 2,315,210 | 2,278,127 | 594,412 | 4,245,659 | 9,433,407 | 173% |
| 2013 - 2014 | 16,736,790 | 2,310,510 | 2,274,253 | 594,455 | 4,255,728 | 9,434,946 | 177% |
| 2014 - 2015 | 17,173,720 | 2,310,250 | 2,271,345 | 594,102 | 4,257,528 | 9,433,225 | 182% |
| 2015 - 2016 | 17,574,535 | 2,304,025 | 2,269,321 | 593,420 | 4,261,072 | 9,427,837 | 186% |
| 2016 - 2017 | 17,983,875 | 2,297,450 | 2,264,010 | 592,273 | 4,275,977 | 9,429,710 | 191% |
| 2017 - 2018 | 18,349,528 | 2,295,525 | 2,265,816 | 590,748 | 4,272,205 | 9,424,294 | 195% |
| 2018 - 2019 | 18,722,948 | 2,292,413 | 2,264,086 | 588,968 | 4,279,794 | 9,425,261 | 199% |
| 2019 - 2020 | 19,104,253 | 104,675 | 2,697,828 | 2,727,897 | 3,900,644 | 9,431,043 | 203% |
| 2020 - 2021 | 19,493,566 | 110,213 | 2,696,135 | 524,982 | 6,055,417 | 9,386,746 | 208% |
| 2021 - 2022 | 15,196,309 | 110,356 | 2,693,536 | 523,880 | 3,413,732 | 6,741,504 | 225% |
| 2022 - 2023 | 15,541,005 | 37,206 | 2,689,769 | 600,219 | 3,413,590 | 6,740,784 | 231% |
| 2023 - 2024 | 18,229,150 | 35,894 | 2,685,063 | 520,198 | 5,137,923 | 8,379,077 | 218% |
| 2024 - 2025 | 18,347,679 | 39,450 | 4,312,315 | 507,227 | 3,418,236 | 8,277,228 | 222% |
| 2025 - 2026 | 18,709,999 | 37,875 | 4,307,908 | 508,890 | 3,420,558 | 8,275,230 | 226% |
| 2026 - 2027 | 19,079,566 | 36,300 | - | 4,817,568 | 3,419,321 | 8,273,189 | 231% |
| 2027 - 2028 | 19,450,664 | 39,594 | - | - | 8,145,354 | 8,184,948 | 238% |
| 2028 - 2029 | 8,321,713 | 37,756 | - | - | 2,430,356 | 2,468,112 | 337% |
| 2029 - 2030 | 8,559,444 | 35,919 | - | - | 2,430,448 | 2,466,367 | 347% |
| 2030 - 2031 | 8,801,931 | - | - | - | 2,437,587 | 2,437,587 | 361% |
| 2031 - 2032 | 9,034,381 | - | - | - | 2,436,655 | 2,436,655 | 371% |
| 2032 - 2033 | 9,248,494 | - | - | - | 2,432,757 | 2,432,757 | 380% |
| 2033 - 2034 | 9,460,102 | - | - | - | 2,430,800 | 2,430,800 | 389% |
| 2034 - 2035 | 9,706,262 | - | - | - | 2,430,587 | 2,430,587 | 399% |
| 2035 - 2036 | 9,957,346 | - | - | - | 2,427,013 | 2,427,013 | 410% |
| 2036 - 2037 | 10,213,452 | - | - | - | 2,424,985 | 2,424,985 | 421% |

[1] Assumes amendment to increase tax increment cap.
[2] Estimated. Represents fixed payment obligations under the 2007 Swap.

Sources: Fraser & Associates for Tax Revenues and RBC Capital Markets.

## TABLE 8
## Richmond Community Redevelopment Agency
## Housing Set Aside Tax Revenues
## Projected Debt Service Coverage
## (Assuming No Growth in Assessed Value)

| Fiscal Year | Housing Tax Revenues | 2000 Series B Debt Service | 2004 Series A (Housing Share) Debt Service | 2004 Series B Debt Service | 2007 Housing Set-Aside Bonds Debt Service[(1)] | Total Debt Service | Coverage (%) |
|---|---|---|---|---|---|---|---|
| 2007 - 2008 | 4,523,733 | 578,098 | 314,512 | 138,481 | 215,050 | 1,246,141 | 363% |
| 2008 - 2009 | 4,523,733 | 579,723 | 312,298 | 141,875 | 464,187 | 1,498,083 | 302% |
| 2009 - 2010 | 4,523,733 | 575,061 | 314,867 | 140,038 | 530,619 | 1,560,585 | 290% |
| 2010 - 2011 | 4,523,733 | 578,930 | 312,076 | 138,025 | 574,049 | 1,603,080 | 282% |
| 2011 - 2012 | 4,523,733 | 575,585 | 314,056 | 140,756 | 619,780 | 1,650,177 | 274% |
| 2012 - 2013 | 4,523,733 | 574,983 | 315,650 | 138,225 | 667,500 | 1,696,357 | 267% |
| 2013 - 2014 | 4,523,733 | 572,455 | 311,933 | 140,413 | 716,914 | 1,741,715 | 260% |
| 2014 - 2015 | 4,523,733 | 572,810 | 313,070 | 137,413 | 767,563 | 1,790,855 | 253% |
| 2015 - 2016 | 4,523,733 | 570,855 | 313,910 | 139,319 | 814,259 | 1,838,343 | 246% |
| 2016 - 2017 | 4,523,733 | 571,398 | 314,366 | 136,025 | 866,802 | 1,888,590 | 240% |
| 2017 - 2018 | 4,523,733 | 569,245 | 314,438 | 137,525 | 914,874 | 1,936,082 | 234% |
| 2018 - 2019 | 4,523,733 | 564,398 | 314,256 | 138,825 | 972,535 | 1,990,014 | 227% |
| 2019 - 2020 | 4,523,733 | 28,000 | 857,742 | 139,925 | 1,014,661 | 2,040,329 | 222% |
| 2020 - 2021 | 4,523,733 | 26,400 | 544,419 | 135,613 | 1,377,774 | 2,084,206 | 217% |
| 2021 - 2022 | 3,475,568 | 24,800 | 549,032 | 135,872 | 1,007,834 | 1,717,538 | 202% |
| 2022 - 2023 | 3,475,568 | 8,800 | 560,837 | 135,900 | 1,058,583 | 1,764,120 | 197% |
| 2023 - 2024 | 3,475,568 | 8,400 | 551,962 | 135,697 | 1,144,275 | 1,840,334 | 189% |
| 2024 - 2025 | 3,421,597 | 8,000 | 546,853 | 140,147 | 1,174,087 | 1,869,087 | 183% |
| 2025 - 2026 | 3,421,597 | 7,600 | 545,478 | 139,250 | 1,230,164 | 1,922,492 | 178% |
| 2026 - 2027 | 3,421,597 | 7,200 | 544,416 | 138,122 | 1,284,047 | 1,973,785 | 173% |
| 2027 - 2028 | 3,421,597 | 6,800 | - | - | 2,020,000 | 2,026,800 | 169% |
| 2028 - 2029 | 1,181,431 | 11,200 | - | - | 830,193 | 841,393 | 140% |
| 2029 - 2030 | 1,181,431 | 10,400 | - | - | 830,334 | 840,734 | 141% |
| 2030 - 2031 | 1,171,540 | - | - | - | 834,527 | 834,527 | 140% |
| 2031 - 2032 | 1,171,540 | - | - | - | 836,219 | 836,219 | 140% |
| 2032 - 2033 | 1,171,540 | - | - | - | 835,091 | 835,091 | 140% |
| 2033 - 2034 | 1,171,540 | - | - | - | 834,996 | 834,996 | 140% |
| 2034 - 2035 | 1,171,540 | - | - | - | 836,313 | 836,313 | 140% |
| 2035 - 2036 | 1,171,540 | - | - | - | 834,764 | 834,764 | 140% |
| 2036 - 2037 | 1,171,540 | - | - | - | 835,000 | 835,000 | 140% |

[(1)] Estimated. Represents fixed payment obligations under the 2007 Swap.

Sources: Fraser & Associates for Set-Aside Revenues and RBC Capital Markets.

## TABLE 9
## Richmond Community Redevelopment Agency
## Housing Set Aside Tax Revenues
## Projected Debt Service Coverage
## (Assuming 2% Growth in Assessed Value)

| Fiscal Year | Housing Tax Revenues[1] | 2000 Series B Debt Service | 2004 Series A (Housing Share) Debt Service | 2004 Series B Debt Service | 2007 Housing Set-Aside Bonds Debt Service[2] | Total Debt Service | Coverage (%) |
|---|---|---|---|---|---|---|---|
| 2007 - 2008 | 4,566,142 | 578,098 | 314,512 | 138,481 | 215,050 | 1,246,141 | 366% |
| 2008 - 2009 | 4,731,172 | 579,723 | 312,298 | 141,875 | 464,187 | 1,498,083 | 316% |
| 2009 - 2010 | 4,923,371 | 575,061 | 314,867 | 140,038 | 530,619 | 1,560,585 | 315% |
| 2010 - 2011 | 5,126,890 | 578,930 | 312,076 | 138,025 | 574,049 | 1,603,080 | 320% |
| 2011 - 2012 | 5,275,953 | 575,585 | 314,056 | 140,756 | 619,780 | 1,650,177 | 320% |
| 2012 - 2013 | 5,428,179 | 574,983 | 315,650 | 138,225 | 667,500 | 1,696,357 | 320% |
| 2013 - 2014 | 5,583,620 | 572,455 | 311,933 | 140,413 | 716,914 | 1,741,715 | 321% |
| 2014 - 2015 | 5,742,328 | 572,810 | 313,070 | 137,413 | 767,563 | 1,790,855 | 321% |
| 2015 - 2016 | 5,904,358 | 570,855 | 313,910 | 139,319 | 814,259 | 1,838,343 | 321% |
| 2016 - 2017 | 6,069,767 | 571,398 | 314,366 | 136,025 | 866,802 | 1,888,590 | 321% |
| 2017 - 2018 | 6,238,612 | 569,245 | 314,438 | 137,525 | 914,874 | 1,936,082 | 322% |
| 2018 - 2019 | 6,410,954 | 564,398 | 314,256 | 138,825 | 972,535 | 1,990,014 | 322% |
| 2019 - 2020 | 6,586,854 | 28,000 | 857,742 | 139,925 | 1,014,661 | 2,040,329 | 323% |
| 2020 - 2021 | 6,766,375 | 26,400 | 544,419 | 135,613 | 1,377,774 | 2,084,206 | 325% |
| 2021 - 2022 | 6,949,584 | 24,800 | 549,032 | 135,872 | 1,007,834 | 1,717,538 | 405% |
| 2022 - 2023 | 5,709,458 | 8,800 | 560,837 | 135,900 | 1,058,583 | 1,764,120 | 324% |
| 2023 - 2024 | 5,872,428 | 8,400 | 551,962 | 135,697 | 1,144,275 | 1,840,334 | 319% |
| 2024 - 2025 | 6,038,656 | 8,000 | 546,853 | 140,147 | 1,174,087 | 1,869,087 | 323% |
| 2025 - 2026 | 6,129,770 | 7,600 | 545,478 | 139,250 | 1,230,164 | 1,922,492 | 319% |
| 2026 - 2027 | 6,301,082 | 7,200 | 544,416 | 138,122 | 1,284,047 | 1,973,785 | 319% |
| 2027 - 2028 | 6,475,821 | 6,800 | - | - | 2,020,000 | 2,026,800 | 320% |
| 2028 - 2029 | 6,654,054 | 11,200 | - | - | 830,193 | 841,393 | 791% |
| 2029 - 2030 | 3,217,178 | 10,400 | - | - | 830,334 | 840,734 | 383% |
| 2030 - 2031 | 3,332,466 | - | - | - | 834,527 | 834,527 | 399% |
| 2031 - 2032 | 3,450,059 | - | - | - | 836,219 | 836,219 | 413% |
| 2032 - 2033 | 3,570,003 | - | - | - | 835,091 | 835,091 | 427% |
| 2033 - 2034 | 3,675,944 | - | - | - | 834,996 | 834,996 | 440% |
| 2034 - 2035 | 3,800,411 | - | - | - | 836,313 | 836,313 | 454% |
| 2035 - 2036 | 3,927,367 | - | - | - | 834,764 | 834,764 | 470% |
| 2036 - 2037 | 4,056,863 | - | - | - | 835,000 | 835,000 | 486% |

[1] Assumes amendment to increase tax increment cap.

[2] Estimated.

Sources: Fraser & Associates for Set-Aside Revenues and RBC Capital Markets.

**Statement of Direct and Overlapping Debt**

Set forth below in Table 10 is a direct and overlapping debt report for the Merged Project Area (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated May 1, 2007. The Debt Report is included for general information purposes only. None of the City, the Authority or the Agency have reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

# TABLE 10
## Richmond Community Redevelopment Agency
## Merged Project Area
## Direct and Overlapping Debt Report

| | |
|---|---|
| 2006-07 Assessed Valuation | $3,245,886,080 |
| Base Year Valuation | 1,989,746,817 |
| Incremental Valuation | $1,256,139,263 |

| DIRECT DEBT | % Applicable | Debt 5/1/07 | |
|---|---|---|---|
| Project 1B 1995 Refunding Marks-Roos Act Bonds | 100 % | $ 195,372 | |
| Project 1C 1995 Refunding Marks-Roos Act Bonds | 100 | 1,340,268 | |
| Project 3A 1995 Refunding Marks-Roos Act Bonds | 100 | 1,144,360 | |
| Project 11A 1991 Refunding Tax Allocation Bonds | 100 | 155,000 | |
| Project 11A 1998 Refunding Tax Allocation Bonds | 100 | 20,292,779 | |
| Series 2000A Tax Allocation Bonds | 100 | 21,000,000 | |
| Series 2000B Tax Allocation Bonds | 100 | 4,550,000 | |
| Series 2003A Tax Allocation Bonds | 100 | 16,080,000 | |
| Series 2003B Tax Allocation Bonds | 100 | 12,500,000 | |
| Series 2004A Tax Allocation Bonds | 100 | 14,590,000 | |
| Series 2004B Tax Allocation Bonds | 100 | 1,860,000 | |
| TOTAL DIRECT DEBT | | $93,707,779 | (1) |

Ratio to Incremental Valuation 7 46%

| OVERLAPPING TAX AND ASSESSMENT DEBT | | | |
|---|---|---|---|
| Bay Area Rapid Transit District | 0 742% | $ 646,913 | |
| Contra Costa Community College District | 2 270 | 2,562,830 | |
| West Contra Costa Unified School District | 13 396 | 71,870,012 | |
| East Bay Municipal Utility District | 2 033 | 22,261 | |
| East Bay Municipal Utility District, Special District No 1 | 0 779 | 268,015 | |
| East Bay Regional Park | 1 014 | 1,686,231 | |
| West Contra Costa Healthcare District Parcel Tax Obligations | 12 523 | 3,170,197 | |
| City of Richmond Community Facilities District No 1998-1 | 100 | 3,975,000 | |
| City of Richmond Harbor Navigation District, I D No 1 | 72 839 | 1,096,227 | |
| City of Richmond I D No 852 | 44 913 | 1,086,895 | |
| TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT | | $86,384,581 | |
| Less East Bay Municipal Utility District | | 22,261 | |
| TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT | | $86,362,320 | |

| OVERLAPPING GENERAL FUND DEBT | | | |
|---|---|---|---|
| Contra Costa County General Fund Obligations | 1 012 % | $ 3,083,311 | |
| Contra Costa County Pension Obligations | 1 012 | 5,434,491 | |
| Contra Costa County Board of Education Certificates of Participation | 1 012 | 9,108 | |
| Alameda-Contra Costa Transit District Certificates of Participation | 0 989 | 186,970 | |
| Contra Costa Community College District Certificates of Participation | 1 014 | 12,320 | |
| West Contra Costa Unified School District Certificates of Participation | 7 019 | 1,830,204 | |
| City of Richmond General Fund Obligations | 12 687 | 5,229,935 | |
| City of Richmond Pension Obligations | 12 687 | 17,319,675 | |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $33,106,014 | |

| | | |
|---|---|---|
| GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT | $213,198,374 | (2) |
| NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT | $213,176,113 | |

(1) Excludes tax allocation bonds to be sold
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

| Ratios to 2006-07 Assessed Valuation | |
|---|---|
| Gross Combined Total Direct and Overlapping Debt | 6 57% |
| Net Combined Total Direct and Overlapping Debt | 6 57% |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06 $0

Source California Municipal Statistics, Inc

## BOND OWNERS' RISKS

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Bonds. However, they do not constitute an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### Concentration of Tax Base

Approximately 22% of the assessed value in the Merged Project Area is attributable to the top ten assessees. In such an area, the failure or financial difficulty of one or more of such large properties could have a significant detrimental impact on their assessed value and consequently on the amount of the tax increment revenues allocable to the Merged Project Area available to secure the Bonds. See "PROJECTED DEBT SERVICE COVERAGE."

### Estimates of Tax Increment Revenues

In estimating that the total tax increment to be received by the Agency will be sufficient to pay debt service on the Bonds, the Agency and the Consultant relied on actual historical tax increment and made certain assumptions with regard to future assessed valuations in the Merged Project Area, future tax rates and the percentage of taxes collected and the outcome of assessment appeals. See "THE MERGED PROJECT AREA – The Constituent Project Areas" and "APPENDIX H – FISCAL CONSULTANT REPORT." The Agency and the Consultant believe these assumptions are reasonable, but there is no assurance that these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total tax increment available to pay debt service on the Bonds will be reduced. Such reduced tax increment may be insufficient to provide for the payment of debt service on the Bonds and hence the Bonds. See "SECURITY FOR THE SERIES 2007A BONDS" and "SECURITY FOR THE SERIES 2007B BONDS."

### Appeals and Other Reductions to Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. Assessment appeals may have a significant impact on the taxable value of property and therefore the tax increment revenue allocable to a project area.

In the County, a property owner desiring to reduce the assessed value of such property in any one year must submit an application to the Contra Costa County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may (i) reduce the assessment through a roll correction, (ii) offer the property owner the opportunity to stipulate to a reduced assessment or (iii) confirm the assessment. In the County, any appeals where the difference between the current assessed value and the applicant's opinion of value is less than $1 million is handled administratively without a hearing before the Appeals Board. For appeals in this category, the Assessor's office staff may confirm or reduce the assessment with a roll correction. The applicant is notified of the results of the Assessor's action and requested to withdraw the appeal. The roll correction can either be a base year reduction where the value will not be reassessed until the property is sold or a reduction in value which can be reversed once the conditions creating the reduction (e.g. recession, property condition) have been remedied. If the applicant does not agree with the decision of the Assessor's office

staff, the applicant can pursue the appeal before the Appeals Board for a hearing and decision. The Appeals Board is generally required to determine the outcome of appeals within two years of the date the appeal is filed. The Appeals Board can confirm or reduce the assessment with a roll correction in the manner described above or agree to review the appeal within the two year time period.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted by the Consultant. The review revealed three open appeals in the Merged Project Area, as shown on the table below.

| | Open Appeals | | | |
|---|---|---|---|---|
| Assessee | Current Roll Value | Applicant's Value Opinion | Estimated Resolved Value[1] | Estimated Value Reduction |
| Hearst Corporation | $16,049,622 | $ 3,300,000 | $12,197,713 | $ 3,851,909 |
| Dicon Fiberoptics | 44,044,102 | 27,000,000 | 33,473,518 | 10,570,584 |
| Total: | $60,093,724 | $30,300,000 | $45,671,230 | $14,422,494[2] |

[1] Estimated at 24 percent reduction.
[2] Numbers may not add due to rounding.

Source: Fraser & Associates.

There are three open appeals for two property owners, as shown above. The owners have requested reductions in value of $30.3 million. The Consultant has estimated the potential impact of the open appeals based on success factor ratios since 2003 in the Merged Project Area. Over this time period, 95 appeals have been resolved. Seventy nine of these were either denied by the County or withdrawn by the property owner. Sixteen property owners were successful with their appeals. On average, reductions in value equaled 24 % for the successful appeals. Based on the success ratio, the Consultant has assumed a 24 % decrease in value for the open appeals. This would result in a reduction in future taxable values of $14.4 million. The Consultant has reduced taxable value for the impact of open appeals in Fiscal Year 2007-08.

The County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, the Consultant has not reduced tax increment revenues for the impact of refunds.

In determining tax increment projections, the Consultant reduced taxable values in the Merged Project Area to account for the impact of open appeals in Fiscal Year 2007-08. For additional information regarding assessment appeals, see "APPENDIX H – FISCAL CONSULTANT REPORT."

**Bankruptcy and Foreclosure**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy

proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, although bankruptcy proceedings would not cause *ad valorem* property taxes to become extinguished, bankruptcy of a property owner in the Merged Project Area could result in a delay in prosecuting superior court foreclosure proceedings of delinquent property and, in the absence of the Teeter Plan, could result in a delay in the receipt by the Agency of tax revenues. Such a delay, in the absence of the Teeter Plan, would increase the possibility of a delay or default in payment of the principal of and interest on the Bonds.

**Investment Risk**

All funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See "APPENDIX B – SUMMARY OF THE NON-HOUSING INDENTURE" and "APPENDIX C – SUMMARY OF THE HOUSING INDENTURE" attached hereto for a summary of the definition of Permitted Investments. The Non-Housing Special Fund, into which all Subordinate Non-Housing Pledged Tax Revenues are initially deposited, and the Housing Special Fund, into which all Subordinate Housing Pledged Tax Revenues are initially deposited, may be invested by the Agency in Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture in the Non-Housing Special Fund or the Housing Special Fund could have a material adverse affect on the security for the Bonds.

**Development Risks**

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Merged Project Area. The general economy of those areas will be subject to all the risks generally associated with real estate development projects. Projected development within the Merged Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Merged Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the area, the owners of property within the Merged Project Area may be less able or less willing to make timely payments of property taxes causing a delay or cessation in receipt of tax revenues by the Agency.

**Earthquake Risks**

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Merged Project Area. The most recent major earthquake was the 1989 Loma Prieta earthquake with a magnitude of 7.1 on the Richter scale. The epicenter was near Santa Cruz, approximately 65 miles south of the City. In addition to the San Andreas Fault, faults that could affect the Merged Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. It is possible that new geological faults could be discovered in the area and a significant earthquake along these or other faults is possible during the period that the Bonds will be outstanding which may cause a delay or suspension of receipt of tax increment revenues by the Agency.

Significant portions of the Harbour Project Area are situated on landfill. During an earthquake, landfill areas are subject to liquefaction, which is the temporary change of a saturated soil or fill to a liquid with the loss of support strength for structures. Commercial properties, residential properties and infrastructure in this project area could sustain damage in a major seismic event from ground motion and liquefaction of underlying soils. This could result in a substantial reduction or suspension of receipt of tax increment revenues by the Agency from these areas.

**Brownfields**

Development in certain of the constituent project areas is complicated by the presence or perceived presence of contaminants. These areas of contamination or suspected contamination are often referred to as "brownfields." The Agency has initiated a toxic remediation program, the goal of which is to convert brownfields into viable sites for development. For example, the Marina Bay development is a successful conversion of a brownfield area into vibrant commercial and residential development. However there can be no guarantee that similar efforts in other project areas will be successful. If hazardous substances cannot be removed or sufficiently remediated in a cost effective manner, the development proposed for a particular project area may never be realized and the Agency may not receive any tax increment revenues from such Project Area(s).

**Levy and Collection of Taxes**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax revenues, and accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. In addition, the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make debt service payments.

**Reductions in Inflationary Rate**

Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. For 2005-06 and future fiscal years, the Consultant used a 2% inflation factor to increase real property values in the Merged Project Area. The 2% factor is the factor that the County assessor has been directed to use by the SBE in preparing the 2006-07 tax roll. In certain fiscal years, the inflation factor for certain constituent project areas has been less than 2% overall. Should inflation not reach 2% in the future, tax increment could be lower than projected for the Merged Project Area. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS."

**State Budgets**

The State of California faces significant budget issues for Fiscal Year 2006-07 and possibly beyond. In connection with its approval of State budgets for Fiscal Years ending June 30, 1993, 1994, 1995, 2003, 2004, 2005 and 2006, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to the Educational Revenue Augmentation Fund ("ERAF" shifts). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

The 2004-05 State Budget included a transfer by redevelopment agencies to the applicable ERAFs of $250 million in each of Fiscal Years 2004-05 and 2005-06. The Agency's share of the annual $250 million shift for Fiscal Year 2004-05 was $1,204,003 and the share for Fiscal Year 2005-06 was $1,167,821. Both amounts have been paid. The legislation provided that required transfers to ERAF were subordinate to payment on bonds secured by tax increment revenues, thus the Agency's 2004-05 and 2005-06 payments to ERAF were subordinate to payments on the Senior Bonds and the 2004 Bonds.

Section 33333.6(e)(3)(A) of the Redevelopment Law (enacted as SB 1096 in 2004) permits the Agency to extend the time limits of the effectiveness of its redevelopment plans and for repayment of its indebtedness by one year for each year the Agency has made a payment to ERAF. The Agency has extended the applicable time limits with respect to the Project Area to account for the 2004-05 ERAF shift and has begun the process of extending the applicable time limits with respect to the Project Area to account for the 2005-06 ERAF shift.

The Governor's budget for Fiscal Year 2007-08, as currently proposed, does not require an ERAF transfer of tax increment revenues by redevelopment agencies. Although the State's voters approved a constitutional amendment on the November 2004 ballot (the "Local Government Initiative"), which purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, the Local Government Initiative does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues.

The Agency cannot predict whether the State Legislature will enact legislation impacting future Subordinate Pledged Tax Revenues. Given the level of the State's budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature and the Agency's ability to pay debt service on the Bonds may be impaired.

Information about the State budget and State spending is regularly available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

**Parity Debt**

As described in "SECURITY FOR THE 2007A BONDS – Additional Non-Housing Bonds and Other Non-Housing Parity Obligations" and "SECURITY FOR THE 2007B BONDS – Additional Housing Bonds and Other Housing Parity Obligations" the Agency may issue or incur obligations payable from Subordinate Non-Housing Pledged Tax Revenues and Subordinate Housing Pledged Tax Revenues on a parity with its pledge of Subordinate Non-Housing Pledged Tax Revenues and Subordinate Housing Pledged Tax Revenues, respectively, to payment of debt service on the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Subordinate Non-Housing Pledged Tax Revenues or Subordinate Housing Pledged Tax Revenues.

**Changes in the Law**

In addition to the other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" the California electorate or Legislature could adopt a constitutional or legislative change that decreases property taxes or the amount thereof allocable to the Agency with the effect of reducing tax revenues payable to the Agency. There is

no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce such tax revenues and adversely affect the security for the Bonds.

**Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Merged Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Merged Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition and/or other amounts.

## LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

**Article XIIIA of the California Constitution**

California voters, on June 6, 1978, approved an amendment (commonly known as Proposition 13) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value', or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, and to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Challenges to Article XIIIA. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (Amador Valley Joint Union High School District v. State Board of Equalization). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases. Since 1978, several cases have been decided interpreting various provisions of Article XIIIA; however, none of them have questioned the ability of redevelopment agencies to use tax allocation financing. The United States Supreme Court upheld the validity of the assessment procedures of Article XIIIA in Nordlinger v. Hahn.

The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of Pledged Tax Revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation. Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1.00 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs, except for certain utility property assessed by the State Board of Equalization. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The Agency is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Litigation Relating to Property Assessments. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

**Article XIIIB of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, which added Article XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990 respectively, substantially modify Article XIIIB. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The initial version of Article XIIIB provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit

must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB generally include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of such agency within the meaning of Article XIIIB, nor shall such portion of taxes be deemed receipt of the proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, Brown v. Community Redevelopment Agency of the City of Santa Ana and Bell Community Redevelopment Agency v. Woosley. The plaintiff in Brown v. Community Redevelopment Agency of the City of Santa Ana petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding.

**Articles XIIIC and XIIID of the California Constitution**

On November 5, 1996, the voters of the State approved Proposition 218. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local entities of government to levy and collect both existing and future taxes, assessments, fees and charges. Article XIIIC to the State Constitution provides that any tax assessment or charge may be repealed by the State's initiative process. However, since the Bonds are not payable from or secured by any such sources of revenue, Proposition 218 does not affect the issuance or sale of, or the security for, the Bonds.

**Proposition 87**

On November 8, 1988 the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness approved by the voters of the taxing entity after January 1, 1989 will be allocated to the taxing entity and not to the redevelopment agency. Because this provision is not retroactive, the Agency does not believe the provisions of Proposition 87 can have a material adverse effect on the ability of the Agency to pay debt service on the Bonds.

**Further Initiatives**

Article XIIIA, Article XIIIB and certain other propositions affecting property tax levies were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the Pledged Tax Revenues or the Agency's ability to expend revenues.

**Property Tax Collection Procedures**

Classifications. In California, property ~~that~~ is subject to *ad valorem* taxation is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes that are delinquent.

Delinquencies. Except for property assessed by the State, the valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Current tax payment practices by the County provide for payment to the Agency of tax revenues on a semiannual basis. Tax increment is allocated to the Agency based on 100% of the calculated tax levy.

Penalty. A ten percent (10%) penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent are declared in default with respect to such property on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a $15 Redemption. Because the County allocates property taxes to the Agency based on 100% of the tax levy, the County retains all such penalties and interest. See "– County Tax Losses Reserve Fund (Teeter Plan)."

County Tax Losses Reserve Fund (Teeter Plan). The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided

for in Section 4701 et seq. of the California Revenue and Taxation Code and has created a tax loss reserve fund (the "Tax Losses Reserve Fund"). Under the Teeter Plan, each participating local agency levying property taxes in the County receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

The Contra Costa County Auditor Controller (the "County Auditor") reports that, to date, the Tax Losses Reserve Fund has proved adequate to meet all tax and special assessment delinquencies, with the effect that, each year, the City has received the full amount of taxes levied and assessment installments posted to the tax bill. There can be no guarantee, however, that the County Tax Losses Reserve Fund will continue to be sufficient to meet such delinquencies in the future. The County has the power to unilaterally discontinue the Teeter Plan on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies.

Supplemental Assessments. A bill enacted in 1983, Senate Bill ("SB") 813 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction after the January 1 tax lien date. SB 813 may provide increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Merged Project Area, tax revenues may increase.

Filing of Statement of Indebtedness. Under the Redevelopment Law, the Agency must file a statement of indebtedness for the Merged Project Area with the County Auditor not later than the first day of October of each year. As described below, the statement of indebtedness controls the amount of tax increment which will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other matters, (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Bonds and all Parity Obligations) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year. "Available revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year. Available revenues include amounts held by the Agency and irrevocably pledged to the payment of Debt, but do not include amounts in the Low and Moderate Income Housing Fund.

The County Auditor may only pay tax increment to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows a Superior Court determination of such dispute in the event it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

Property Tax Administrative Charges. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990), now codified in Section 97.5 of the California Revenue and Taxation Code, which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. Since the enactment of SB 2557, the Agency has had its tax increment reduced by the County for its pro rata share of property tax administrative costs. The estimated SB 2557 charges to the Agency attributable to the Merged Project Area for Fiscal Year 2006-07 is $205,600, which is one percent (1%) of Fiscal Year 2006-07 tax increment revenues.

**Unitary Property**

AB 2890 (Chapter 1457, Statutes of 1986) provides that, commencing with the 1988-89 Fiscal Year, assessed value derived from State assessed unitary property county wide is to be allocated as follows: (1) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (2) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State assessed property is changed from March 1 to January 1.

AB 454 (Chapter 921, Statutes of 1987) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State assessed unitary property, except for railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenues generated from the property assessed by the State Board of Equalization and administrative procedures have been determined by the County Auditor to implement the legislation.

AB 454 provided that revenues derived from Unitary Property, commencing with the 1988-89 fiscal year, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if countywide revenues generated from Unitary Property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Litigation contesting the State Board of Equalization's procedures in determining the valuation of the seven largest utilities in the State has resulted in a stipulation between the State Board of Equalization

and the utilities. According to the terms of the settlement, the valuations of the seven largest utilities declined by a total of 10.5%, and were phased in over a three year period.

The Consultant has estimated that the Agency is qualified to receive approximately $113,000 of allocable tax revenues in Fiscal Year 2006-07 from unitary property tax revenues. To the extent unitary values decrease county-wide, the Agency's allocable tax revenues resulting from unitary assessments can be expected to decrease.

**Low and Moderate Income Housing Fund**

Pursuant to the Redevelopment Law, the Agency is generally required to set aside 20% of all tax increment received annually in a Low and Moderate Income Housing Fund to be used within the jurisdiction of the Agency to increase and improve the supply of low and moderate income housing. However, as provided in the Redevelopment Law, an agency may deposit less than the amount required under said section into a Low and Moderate Income Housing Fund if the agency makes a finding with respect to one or more of the following: (i) that no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the applicable project area, and that the finding is consistent with the housing element of the community's general plan required by the California Government Code; or (ii) that some stated percentage less than 20% of the taxes which are allocated to the agency pursuant to Section 33670 of the Redevelopment Law is sufficient to meet the housing needs of the community and that the finding is consistent with the housing element of the community's general plan required by the California Government Code.

For certain prior fiscal years, the Agency made one or more of the findings described above and determined that less than the full 20% of tax increment was required to be deposited into the Low and Moderate Income Housing Fund. An internal accounting performed by Agency staff in October 1997 indicated that for Fiscal Years 1993-94 through 1996-97 the Agency deposited less than the full amount required to be deposited into the Low and Moderate Income Housing Fund for all Agency project areas pursuant to the Redevelopment Law. Agency staff has certified, however, that expenditures from tax increment revenues for qualified low and moderate income housing purposes were made during those years which were not recorded in the Low and Moderate Income Housing Fund. In addition, the Agency transferred cash into the Low and Moderate Income Housing Fund from other Agency accounts representing certain prior year amounts which should have been recorded in the Low and Moderate Income Housing Fund during those years. The Agency treats those expenditures and transfers as if they were recorded in the Low and Moderate Income Housing Fund and has certified that no shortfall currently exists in the Low and Moderate Income Housing Fund.

The Agency's 1998-99 financial audit contained findings of possible major violations. On August 10, 2000, the California Attorney General's Office issued a letter stating that the Agency had submitted additional documentation to the State Controller's Office relating to the audit findings. Based on that documentation, the Attorney General confirmed that the Agency was in substantial compliance with the Redevelopment Law and that no major violations exist.

The Agency expects to continue to deposit the full 20% of tax increment into the Low and Moderate Income Housing Fund. The Redevelopment Law allows the Agency to make its required Low and Moderate Income Housing Fund deposits from any project area and does not require that each individual project area contribute its share of the requirement so long as in total the requirement is met. The Agency will make the 20% deposit from its project areas in the aggregate, but not necessarily on the basis of 20% from each individual project area. However, for purposes of projection of tax increment with respect to the Merged Project Area, the Consultant has assumed that the full 20% will be paid out of the tax increment generated in the Merged Project Area. The amount the Agency expects to deposit into

the Low and Moderate Income Housing Fund for Fiscal Year 2006-07 is estimated to be $4,566,000. See "APPENDIX H – FISCAL CONSULTANT REPORT."

**Certain Required Payments of Tax Revenues to Taxing Entities (AB 1290)**

AB 1290, among other things added Sections 33607.5 and 33607.7 to the Redevelopment Law. Section 33607.5, as subsequently amended, applies to redevelopment project areas that are adopted on or after January 1, 1994, or are amended on or after January 1, 1994 to include new territory. If the statutory payment requirements are triggered by an amendment to include new territory, the payments are required only with respect to the new territory. Commencing with the first fiscal year in which a redevelopment agency receives tax increments from an affected redevelopment project area and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, a redevelopment agency is required to pay to the affected taxing entities, including the community that has adopted the redevelopment project area if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the redevelopment agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. Commencing with the 11th fiscal year in which the redevelopment agency receives such tax increments and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, the redevelopment agency is required to pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid as described in the preceding sentence and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the redevelopment project area in the 10th fiscal year in which the redevelopment agency receives affected tax increment revenues. Finally, commencing with the 31st fiscal year in which the redevelopment agency receives tax increments and continuing through the last fiscal year in which the redevelopment agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which adopted the project, in addition to the amounts paid pursuant to the previously described provisions, and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the redevelopment agency receives affected tax increments.

Section 33607.7 generally makes the requirement of payments of tax increment by a redevelopment agency to affected taxing entities applicable to redevelopment project areas for which the redevelopment plan is amended on or after January 1, 1994, to increase the limitation on the number of dollars to be allocated to the redevelopment agency or the time limit on loans, advances, and indebtedness established pursuant to certain provisions of the Redevelopment Law or that lengthens the period during which the redevelopment plan is effective unless the redevelopment agency and the affected taxing entity had prior to January 1, 1994, entered into an agreement requiring payments from the redevelopment agency to the affected taxing entity. The amount to be paid by the redevelopment agency is calculated by the amount of assessed value by which the then current year assessed value exceeds an adjusted base year assessed value. The adjusted base year assessed value is the assessed value of the project area in the year in which the limitation amended would have taken effect without the amendment or, if more than one limitation is amended, the first year in which one or more of the limitations would have taken effect without the amendment. The redevelopment agency is required to commence making payments in the first fiscal year following the fiscal year in which the adjusted base year value is determined.

Section 33607.5 permits a redevelopment agency to subordinate the payments required to be paid to an affected taxing entity to loans, bonds, or other indebtedness of the redevelopment agency, except loans or advances from the community which adopted the redevelopment project area, if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such indebtedness. The Agency's payments under Sections 33607.5 and 33607.7 have not been subordinated to the Agency's obligations under the Indentures.

Pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, a total of $2,311,000 is estimated to be deducted from the Agency's Fiscal Year 2006-07 gross tax increment. See "APPENDIX H – FISCAL CONSULTANT REPORT."

**SB 211**

The California Legislature recently enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB 211"). SB 211 provides, among other things, that, at anytime after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. However, such deletion will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective.

SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

## TAX MATTERS

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Internal Revenue Code of 1986 (the "Code"), as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided

by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, except as described below, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

**Series 2007A Bonds**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2007A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

Series 2007A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2007A Bonds. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2007A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007A Bonds. The opinion

of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2007A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007A Bonds. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2007A Bonds is excluded from gross income for federal income tax purposes, and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2007A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the Agency or the Beneficial Owners regarding the tax-exempt status of the Series 2007A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007A Bonds, and may cause the Agency or the Beneficial Owners to incur significant expense.

**Series 2007B Bonds**

In the opinion of Bond Counsel interest on the Series 2007B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other federal or state

tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007B Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

**Tax Status of the Series 2007B Bonds**

The Series 2007B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series 2007B Bonds that allocate (which generally will include all initial holders of the Series 2007B Bonds) a basis in the Series 2007B Bonds that is greater than the principal amount of the Series 2007B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a holder purchases a Series 2007B Bond for an amount that is less than the principal amount of the Series 2007B Bond, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2007B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series 2007B Bonds are expected to trade "flat," that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series 2007B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

**Sale and Exchange of Series 2007B Bonds**

Upon a sale or exchange of a Series 2007B Bond, a holder generally will recognize gain or loss on the Series 2007B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2007B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2007B Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series 2007B Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Series 2007B Bond. In general, if the Series 2007B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance of any Series 2007B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2007B Bond.

**Foreign Investors**

Distributions on the Series 2007B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2007B Bonds generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

**Circular 230**

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), we and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the Taxable Bond and the transactions described herein (or in such opinion or other advice); and

Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## NO LITIGATION

There is no litigation, now pending or, to the best knowledge of the Agency, threatened to restrain or enjoin the execution or delivery of the Bonds and the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the Bonds, or which would materially adversely affect the ability of the Agency to meet its financial obligations.

## THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of December 1, 1989 (the "JPA Agreement"), by and between the Agency and the City. The JPA Agreement was entered into pursuant to the provisions of Articles 1 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "JPA Law").

The members of the Agency and the City Council of the City (the "City Council") serve as the governing board of the Authority. The Authority is a separate entity constituting a public instrumentality of the State and was formed for the public purpose of establishing a vehicle which could reduce the borrowing costs of the Agency and promote greater use by the Agency of existing and new financial instruments and mechanisms.

Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Bonds are being issued for sale to the Authority and will be simultaneously resold by the Authority to the Underwriter.

## UNDERWRITING

Series 2007A Bonds. The Series 2007A Bonds will be purchased from the Authority by RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, as underwriter (the "Underwriter") under a Bond Purchase Contract (the "Series 2007A Purchase Contract") pursuant to which the Underwriter agrees, subject to certain conditions, to purchase all of such Series 2007A Bonds at an aggregate purchase price of $_____ (representing the par amount of such Series 2007A Bonds of $_____, less an underwriter's discount.

Series 2007B Bonds. The Series 2007B Bonds will be purchased from the Authority by the Underwriter under a Bond Purchase Contract (the "Series 2007B Purchase Contract") pursuant to which the Underwriter agrees, subject to certain conditions, to purchase all of such Series 2007B Bonds at an aggregate purchase price of $_____ (representing the par amount of such Series 2007B Bonds of $_____, less an underwriter's discount of $_____, [less original issue discount/plus original issue premium] of $_____).

Each agreement pursuant to which the Underwriter will purchase the Bonds provides that all of the Bonds must be purchased if any of such Bonds are purchased. The obligations of the Underwriter to make such purchases are subject to certain terms and conditions. The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of Official Statement. The offering prices may be changed from time to time by the Underwriter.

## CONTINUING DISCLOSURE

The Agency has covenanted on behalf of the Authority for the benefit of the Bondholders to provide certain financial information and operating data relating to the Agency by not later than 270 days after the end of the Agency's fiscal year (presently June 30) in each year commencing with its report for the 2006-07 Fiscal Year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and each State repository, if any. The notices of material events will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters to comply with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is summarized in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Although the Agency has timely filed all of its required annual reports and material event notices for the past five years pursuant to the continuing disclosure undertakings of the Agency for its outstanding bonds, in several cases, certain items of information required to be contained in such reports were not included because the information was not available as of the deadline for filing the reports. The Agency has as of the date hereof filed all required missing items for such reports. As a result of the changes to the Agency's management and accounting practices referred to above under "THE AGENCY – Governance and Administration" the Agency believes it will be able to fully comply with its continuing disclosure obligations going forward.

## APPROVAL OF LEGALITY

Certain legal matters incident to the issuance of the Bonds will be approved by Orrick, Herrington & Sutcliffe LLP, as Bond and Disclosure Counsel to the Agency. Certain legal matters incident to the issuance of the Bonds will be passed upon for the Agency, the Authority and the City by the Interim City Attorney of the City of Richmond. Certain legal matters will be passed upon for the Underwriter by Lofton & Jennings, Underwriter's Counsel. Bond Counsel, Agency Counsel and Disclosure Counsel undertake no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## FINANCIAL ADVISOR

The Agency has retained Tamalpais Advisors, Inc., as Financial Advisor (the "Financial Advisor") in connection with the execution and delivery of the Bonds and certain other financial matters.

The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments. Payment of the fees and expenses of the Financial Advisor is contingent upon the sale and delivery of the Bonds.

## RATINGS

Standard & Poor's Ratings Services ("S&P") and Fitch, Inc. ("Fitch") have assigned the Bonds the ratings of "AAA" and "Aaa," respectively, with the understanding that upon the delivery of the Bonds, the Financial Guaranty Insurance Policy will be issued by the Insurer. The Bonds have received an underlying rating of "A-" from S&P. Certain information was supplied to the rating agencies by the City and the Agency to be considered in evaluating the Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from S&P or Fitch. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## MISCELLANEOUS

All summaries contained herein of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority or the Agency for further information in connection therewith. The Agency shall provide, upon request, annual basic financial statements when available.

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Bond Owners or Beneficial Owners.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Agency.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY

By:_____
Steve Duran
Executive Director of the Agency

## APPENDIX A

## ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND

### General

The City of Richmond, California (the "City"), located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates the San Francisco Bay and San Pablo Bay. The City is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the Interstate 80 and Interstate 580 corridors, and along the new Richmond Parkway have added to the tax base of the City in recent years.

### Population

City residents account for approximately ten percent (10%) of the population of the County. While the period from 1980 to 2000 was characterized by rapid population growth in both the City and the County, the last five (5) years reflect a trend of slower growth. Table 1 below shows the population of the City, the County and the State for the years 1970, 1980, 1990 and 2000 and also for the years 2002 through 2007 as of January 1.

**TABLE 1**
**CITY, COUNTY AND STATE POPULATION STATISTICS**

| Year | City of Richmond | Contra Costa County | State of California |
|---|---|---|---|
| 1970 | 79,043 | 556,116 | 19,971,069 |
| 1980 | 74,676 | 656,331 | 23,667,764 |
| 1990 | 87,425 | 803,732 | 29,760,021 |
| 2000 | 99,216 | 948,816 | 33,873,086 |
| 2002 | 101,111 | 983,360 | 35,088,671 |
| 2003 | 101,332 | 996,081 | 35,691,534 |
| 2004 | 101,960 | 1,008,999 | 36,252,878 |
| 2005 | 102,677 | 1,020,384 | 36,743,186 |
| 2006 | 102,676 | 1,030,732 | 37,195,240 |
| 2007 | 103,828 | 1,042,341 | 37,662,518 |

*Sources: U.S. Census Bureau (1970-2000); State of California Department of Finance E-4 population Estimates for City, Counties and State, 2001-2007 with 2000 DRU Benchmark.*

The City of Richmond Planning Department estimated that the City had 37,656 total housing units and 21,326 single family detached units (approximately 56.6% of total units) as of January 1, 2006.

Table 2 summarizes the median effective buying income on a per capita basis for the City, the County and the State for the calendar years of 2002 through 2006. Claritas Inc. Demographics USA 2006 estimated median household effective buying income at $41,934 for the City of Richmond.

**TABLE 2**
**CITY OF RICHMOND, CONTRA COSTA COUNTY AND THE STATE OF CALIFORNIA**
**TOTAL EFFECTIVE BUYING INCOME**
**2002-2006**

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| City of Richmond | $42,365 | $40,033 | $40,304 | $41,357 | $41,934 |
| Contra Costa County | 56,507 | 54,448 | 54,862 | 56,165 | 56,979 |
| California | 43,532 | 42,484 | 42,924 | 43,915 | 44,681 |

*Sources: Survey of Buying Power, Sales & Marketing Management Magazine (Years 2002 through 2005) and Claritas Inc. Demographics USA (Year 2006).*

**Assessed Valuation**

The City utilizes the facilities of the County for the assessment and collection of property related taxes for City purposes. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

As previously discussed, pursuant to Article XIIIA of the California Constitution, annual increases in property valuations by the county assessor are limited to a maximum 2% unless properties are improved or sold. Transferred properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Business inventories are exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first $7,000 of the value of owner occupied residences, pursuant to the homeowners' exemption under State law.

"Secured" property is real property which in the opinion of the county assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the county assessor, and which is also "secured" property.

Table 3 below shows the assessed valuation of taxable property in the City for Fiscal Years 2002-03 through 2006-07.

**TABLE 3**
**CITY OF RICHMOND, CALIFORNIA**
**ASSESSED VALUE OF TAXABLE PROPERTY**

| Fiscal Year | Local Secured | Utility | Unsecured | Total Before Redevelopment Increment | Total After Redevelopment Increment |
|---|---|---|---|---|---|
| 2002-03 | $7,526,724,967 | $40,536,133 | $661,039,285 | $8,228,300,385 | $7,207,913,520 |
| 2003-04 | 7,992,655,173 | 38,960,489 | 649,789,410 | 8,681,405,072 | 7,578,905,910 |
| 2004-05 | 9,098,953,478 | 30,049,819 | 747,760,672 | 9,876,763,969 | 8,676,514,399 |
| 2005-06 | 9,645,553,503 | 31,000,052 | 747,436,118 | 10,423,989,673 | 9,545,569,275 |
| 2006-07 | 11,329,240,515 | 28,950,901 | 784,744,022 | 12,142,935,438 | 10,160,005,866 |

*Source: California Municipal Statistics, Inc.*

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of actual tax collections can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since Fiscal Year 2001-02 are shown in Table 4 as reported annually by the County Auditor.

**TABLE 4**
**CITY OF RICHMOND**
**SECURED TAX LEVIES AND DELINQUENCIES**
**Fiscal Years 2001-02 through 2005-06**

| Fiscal Year Ended June 30 | Total Current Fiscal Year Tax Levy | Amount of Current Fiscal Year Tax Levy Delinquent | Percent Current Levy Delinquent June 30[1] |
|---|---|---|---|
| 2001-02 | $22,626,173 | $326,531 | 1.44% |
| 2002-03 | 23,253,482 | 397,750 | 1.71 |
| 2003-04 | 24,535,923 | 435,808 | 1.78 |
| 2004-05 | 27,874,360 | 368,968 | 1.32 |
| 2005-06 | 30,704,619 | 578,395 | 1.88 |

[1] Due to the County use of the Teeter Plan, the City received 100% of its tax levy, with the County responsible for collection of delinquent amounts.

*Source: Contra Costa County Auditor-Controller.*

**Property Taxation and Tax Rates**

The County assesses real personal property values and collects and distributes secured and unsecured property taxes to the City, school districts and other special districts located within the City.

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1, and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five or more years, the tax defaulted property is declared to be subject to the County Treasurer-Tax Collector's power of sale and may be subsequently sold by the County Treasurer-Tax Collector.

Legislation established the "supplemental roll" in 1984 which directs the Assessor to reassess real property, at market value, on the date property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one time levy on the increase (or decrease) in value for

the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on June 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

State law exempts from assessed valuation $7,000 of the full cash value of an owner-occupied residence, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of Fiscal Year 1984-85, the State reimbursement with respect to business inventory exemption, which formerly had been in the amount of 50%, then 100%, was repealed. This subvention for cities has been replaced by increased motor vehicle license fees.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) by filing a civil action against the taxpayer, (ii) by filing a certificate in the office of the City Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) by filing a certificate of delinquency for recordation in the City Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) by the seizure and sale of property, improvements or possessory interest, belonging to the taxpayer. These collection methods can be used separately or jointly.

On June 6, 1978, the voters of California approved an amendment (commonly known as both Proposition 13 and the Jarvis Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other items, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors including general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two thirds of the votes cast by the voters voting on the proposition.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union High School District v. State Board of Equalization)*. The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in property cases. In June 1992, the U.S. Supreme Court, in a 8-1 ruling, upheld Proposition 13.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this presentation (except as noted) is shown at 100% of assessed value

and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Further assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve that tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The City is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California (the "State") to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

**Teeter Plan**

The City is located within a county that is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan."

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided.

The valuation of property is determined as of January 1st each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City receives its entire secured tax levy amount each year under the Teeter Plan, an indication of tax collection can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since 2001-02 and the entire County tax levies with delinquencies and tax losses reserve balances for the same period are shown in Table 5 as reported annually by the County Auditor.

**TABLE 5**
**CONTRA COSTA COUNTY**
**SECURED TAX LEVIES, DELINQUENCIES AND**
**TAX LOSSES RESERVE BALANCES**
**Fiscal Years 2001-02 through 2005-06**

| Fiscal Year Ended June 30 | Total Current Year Tax Levy | Portion of Current Levy Delinquent Year End | % Current Levy Delinquent Year End | Total Delinquent Taxes June 30 | Tax Losses Reserve Balance June 30 | Reserve as % of Delinquency |
|---|---|---|---|---|---|---|
| 2001-02 | $1,187,173,140 | $20,551,776 | 1.73% | $33,941,546 | $27,032,058 | 80% |
| 2002-03 | 1,293,561,117 | 25,574,249 | 1.98 | 38,614,691 | 30,347,321 | 79 |
| 2003-04 | 1,402,895,299 | 27,325,421 | 1.95 | 40,071,424 | 20,167,593 | 50 |
| 2004-05 | 1,584,132,373 | 26,598,823 | 1.68 | 37,821,908 | 23,134,013 | 61 |
| 2005-06 | 1,720,977,608 | 35,699,270 | 2.07 | 47,003,688 | 26,334,817 | 56 |

*Source: Contra Costa County Auditor-Controller.*

**Largest Taxpayers**

Set forth in Table 6 are the ten largest secured taxpayers in the City for the Fiscal Year ending June 30, 2006, based on secured assessed valuations within the City.

**TABLE 6**
**CITY OF RICHMOND**
**LARGEST PROPERTY TAX PAYERS**
**Fiscal Year 2005-06**

| Property Owner | Primary Land Use | Assessed Valuation[(1)] | Percent of Total[(2)] |
|---|---|---|---|
| Chevron USA, Inc. | Petroleum/Coal Products | $2,959,274 | 31.30% |
| Susie Gee | Apartments | 98,516 | 1.00 |
| Dicon Fiberoptics | Semiconductors | 56,737 | 0.60 |
| Berlex Laboratories | Medical/Pharmaceutical Technology | 130,246 | 1.40 |
| BP West Coast Products | Petroleum Products | 37,843 | 0.40 |
| California Fats & Oils Inc. | Food Manufacturer | 28,653 | 0.30 |
| Tosco Corporation | Oil Refining | 25,548 | 0.30 |
| Shores of Marina Bay Community Assoc. | Apartments | 24,629 | 0.30 |
| Lennar Emerald Marina Shores | Apartments | 24,510 | 0.30 |
| Point Richmond R&D Associates | R&D Facility | 33,512 | 0.40 |
| Total | | $3,419,468 | 36.30% |

(1) Assessed valuation in thousands
(2) Based on total net assessed value of $9,441,403,000

*Source: City of Richmond, Comprehensive Annual Financial Report for Fiscal Year 2005-06.*

**Economic Structure**

*Overview of the Richmond Economy*

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, commercial centers, and a multi terminal shipping port on San Francisco Bay. Richmond also serves as a government center for West Contra Costa County.

The following table shows estimates and projections of employment by major economic sector in Richmond and its "sphere of influence area" prepared by the Association of Bay Area Governments ("ABAG"). ABAG's projections indicate that the Finance/Professional Services and Health/ Educational/Recreation Services sectors will expand steadily in the Richmond economy from 2005 to the year 2020, relative to the other economic sectors, while the manufacturing and wholesale sector will gradually shrink in the proportional share of all jobs in Richmond's economy over the same 20 years. These estimates are derived from economic indicators, other economic information, and local policy surveys of local jurisdictions. There can be no assurance that these estimates and projections have been or will be accurate. Actual employment may substantially differ from these figures.

**TABLE 7**
**JOBS BY MAJOR ECONOMIC SECTORS IN**
**RICHMOND SPHERE-OF-INFLUENCE AREA[1]: 2005, 2010, 2015 AND 2020**

| | 2005 | | 2010 | | 2015 | | 2020 | |
|---|---|---|---|---|---|---|---|---|
| | Jobs | % | Jobs | % | Jobs | % | Jobs | % |
| Finance/Professional Services | 6,590 | 14.86 | 7,130 | 15.12 | 8,010 | 15.56 | 8,930 | 15.88 |
| Mfg. & Wholesale | 12,680 | 28.60 | 13,040 | 27.66 | 13,920 | 27.04 | 14,910 | 26.52 |
| Retail Trade | 4,300 | 9.70 | 4,560 | 9.67 | 4,990 | 9.69 | 5,460 | 9.71 |
| Agricultural/Mining | 210 | 0.47 | 210 | 0.45 | 200 | 0.39 | 200 | 0.36 |
| Health/Educational/ Recreation Services | 13,200 | 29.78 | 14,370 | 30.48 | 15,850 | 30.79 | 17,460 | 31.05 |
| Other[2] | 7,350 | 16.58 | 7,830 | 16.62 | 8,500 | 16.53 | 9,270 | 16.48 |
| TOTAL | 44,330 | 100.00 | 47,140 | 100.00 | 51,470 | 100.00 | 56,230 | 100.00 |

(1) The City's sphere of influence includes territory immediately adjacent, but outside of the City's limits, which may potentially be annexed to the City, and which has been identified as such by the County Local Agency Formation Commission. These areas include County portion of North Richmond, El Sobrante Valley and East Richmond Heights, which is a small unincorporated area north of El Cerrito.

(2) Insurance/real estate, government, transportation/communications/utilities, and construction.

*Source: ABAG, Projections 2007.*

*Industrial Activity*

Historically, the City has been viewed as a distribution center and a City of heavy industry, largely due to the visible presence of a major oil refinery, Chevron USA Richmond Refinery, and other major industrial and distribution uses: General Chemical, Bio-Rad Laboratories, the bulk liquid terminals in the Port of Richmond, the BNSF rail yard, a USPS distribution center and a UPS distributing center.

The City's economy has experienced growth in light and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to the City's historically heavy industrial base. At the same time, green businesses, such as Power Light, have chosen are make Richmond their home..

The Chevron Clean Fuels Project upgraded and modified the refinery to meet 1995 U.S. Clean Air Act standards for cleaner burning gasoline ("reformulated gasoline"). The project also upgraded the fluidized catalytic cracking (FCC) unit, allowing the refinery to increase gasoline production by approximately 13 percent. Currently, Chevron USA is in the entitlement process for another plant upgrade. Such plant upgrades and expansion do not make it less likely that there may be a decrease in employment in the manufacturing and petroleum sectors at some future time.

"High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in Richmond. Biotechnology, medical technology, and computer software in particular are emerging sectors in the City's economy, including: Kaiser Permanente's relocation of its medical and optical laboratories to Richmond along with a new state of the art training facility; the expansion of the State of California's health and DNA laboratories, and the growth of Vertigo Software.

A number of factors appear to be attracting high-tech businesses to the City:

1. The ongoing development and leasing of light industrial/business park property near Hilltop Mall, at Point Pinole Business Park and along the relatively new I-580 freeway along Richmond's South Shoreline and the Richmond Parkway;
2. Availability of vacant or under utilized land areas zoned for industrial use;
3. Relatively lower land costs than elsewhere in the Bay Area;
4. Richmond's central location in western Contra Costa County, within a short distance of San Francisco, Oakland and other East Bay cities, Marin County, and a relatively easy commute to the State's capitol, Sacramento;
5. Proximity to the University of California at Berkeley, one of the major scientific universities and library systems in the world;
6. Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Union Pacific and BNSF Railroads, Santa Fe western terminal, and the Port of Richmond); and
7. Availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Completion of the John T. Knox Freeway in the early 1990's (Interstate 580 extension from Interstate 80 at Albany to the Richmond San Rafael Bridge) has spurred new industrial and commercial development along the freeway corridor throughout Richmond's South Shoreline area. Another major roadway that is spurring new development is the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (the I-580 freeway) and the Richmond San Rafael Bridge. The Parkway was completed in the end of 1996 and has opened up for development a large industrially zoned area in northwest Richmond that has remained largely underdeveloped due to poor access. At this time, all available land in the Richmond Parkway Area is either under contract, in the planning process or under construction.

*Summary of Major Industrial/Commercial Investments*

Major industrial and commercial investments in the City totaled approximately $265,400,000 million between 1998-2007, representing approximately 2,285,000 square feet of new building space and 817,000 square feet of rehabilitated space (see following table).

**TABLE 8**
**MAJOR INDUSTRIAL/COMMERCIAL INVESTMENTS**
**IN RICHMOND, CALIFORNIA 1998-2007[1]**

| Project | Sector | Investment (In Millions) | Square Feet |
|---|---|---|---|
| Marina Center | R&D | $13.4 | 90,000 |
| Bay West Business Center | R&D | 30 | 200,000 |
| DICON | R&D | 75 | 240,000 |
| Virtual Development | R&D | 15 | 100,000 |
| DHS | R&D | State Owned | 765,000 |
| Pinole Pt. Business Park | R&D | 18 | 140,000 |
| Hilltop Plaza | Retail | 10 | 135,000 |
| Hilltop Cinema | Entertainment | 10 | 50,000 |
| Ford Assembly Plant[2] | Mixed Use | 25 | 517,000 |
| Campus Bay[2] | Mixed Use | 24 | 120,000 |
| Macdonald/South Shopping Center | Retail | 18 | 210,000 |
| Macdonald 80 Shopping Center | Retail | 21 | 200,000 |
| Crossings at Marina Bay | Office | 6 | 75,000 |
| Wal-Mart[2] | Retail | 15 | 180,000 |
| Kaiser Labs and Training Center | R&D | 10 | 80,000 |
| Total | | $290.4 | 2,902,000 |

[1] Does not include housing investments.
[2] Rehabilitated space.

*Source: Richmond Redevelopment Agency.*

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

*Employment*

Table 9 shows major employers in the City for which employment information is available, ranked by the number of their employees, estimated for Fiscal Year 2005-06.

**TABLE 9**
**SELECTED MAJOR RICHMOND EMPLOYERS**
**2005-06**

| Companies | Employment | Products |
|---|---|---|
| Chevron U.S.A., Inc. Refinery | 1,646 | Petrochemicals |
| Kaiser Permanente | 1,503 | Medical Services |
| West Contra Costa Unified School District | 1,271 | Education |
| Social Security Payment Center | 1,260 | Social Services/Government |
| California State Department of Health Services | 1,200 | Social Services |
| Chevron Research & Technology | 1,076 | Petrochemicals |
| U.S. Postal Service Bulk Mail Center | 1,007 | Delivery Services/Government |
| United Parcel Service (UPS) | 950 | Delivery Services |
| City of Richmond | 850 | Government |
| U.C. Berkeley Field Station | 440 | Technology and Research Facility |
| Wal-Mart | 350 | Department Store |
| COSTCO – Wholesale | 325 | Non-durable goods |

*Source: City of Richmond Planning Department.*

Table 10 below sets forth employment figures by calendar year for the City and the County and unemployment rates for the City, the County, the State and the United States for the five most recent years and through September 30, 2006. The City's unemployment rate increased slightly in 2003 as a result of a general decline in the national and State economies; however, the City's unemployment rate decreased from a high of 9.8% in 2003 to 7.2% in 2006.

**TABLE 10**
**CITY AND COUNTY**
**ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND**
**UNEMPLOYMENT OF RESIDENT LABOR FORCE**

| **Civilian Labor Force** *(in thousands)* | **2002** | **2003** | **2004** | **2005** | **2006**[1] |
|---|---|---|---|---|---|
| **City of Richmond** | | | | | |
| Employed | 45.8 | 45.6 | 45.8 | 46.2 | 47.1 |
| Unemployed | 4.6 | 4.9 | 4.4 | 3.9 | 3.6 |
| Total[2] | 50.4 | 50.5 | 50.2 | 50.1 | 50.7 |
| **County of Contra Costa** | | | | | |
| Employed | 483.7 | 480.8 | 483.3 | 487.3 | 496.3 |
| Unemployed | 29.2 | 31.2 | 27.7 | 24.6 | 22.2 |
| Total[2] | 512.9 | 512.0 | 511.0 | 511.9 | 518.5 |
| **Unemployment Rates** | | | | | |
| City | 9.2% | 9.8% | 8.8% | 7.8% | 7.2% |
| County | 5.7 | 6.1 | 5.4 | 4.8 | 4.3 |
| State | 6.7 | 6.8 | 6.2 | 5.4 | 4.9 |
| United States | 5.8 | 6.0 | 5.5 | 5.1 | 4.6 |

[1] Not seasonally adjusted.
[2] Totals may not add due to independent rounding.

*Sources: California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics.*

*Commercial Activity*

The Hilltop Mall regional shopping center represents one portion of the 950-acre master planned Hilltop community being developed. Other components in the master planned community includes a Courtyard by Marriott Hotel and an Extended Stay Hotel, a 1.1 million square foot office park, an industrial park, and extensive residential areas. More than 1,640 homes and an estimated 600,000 square feet of light industrial/business park space have been built at Hilltop. A total of 688 new homes have been completed at Hilltop in two separate developments (Park Ridge, 645 units, and Hilltop Lake Overlook, 43 units). The Park Ridge project represents the first stages of development in the Hilltop West Area. A total of 383 new for sale residential units are in the entitlement approval process. In addition, 704 new apartment units have also been completed in the few years. As part of the apartment development, an additional 100,000 square feet of retail is entitled and under construction. The retail and office commercial build out potential is estimated at over 700,000 square feet, and the office/industrial flex potential is estimated at 175,000 square feet.

The Hilltop Mall shopping center is Richmond's principal retail center. Since its opening in 1976, Hilltop has developed into a regional retail center. According to Hilltop's own sources, between 3,000 and 5,000 persons are employed at the shopping center, most of whom are in retail trade employment. Most recently, Wal-Mart opened a new store in a three-story 180,000 space originally occupied by Macy's. Wal-Mart opened its doors in April of 2007, to join Macy's, Penny's and Sears as the Hilltop Mall anchors.

Marina Bay on Richmond's South Shoreline is the site of another large scale master planned development. The community is nearing completion, with over 2,000 of an eventual 3,000 housing units

and 5,000 to 6,000 residents, it is being developed around a sheltered water basin holding a large pleasure boat marina. The area started its transformation from a shipyard and industrial site in 1980 with the construction of a 500 berth marina and a formal esplanade and shoreline beach park. As of June 2007, approximately 2,400 residential units had been constructed at Marina Bay, as well as 400,000 square feet of commercial office/business park space and 775 boat berths. Upon completion, expected around the year 2008, Marina Bay will include approximately 3,000 homes, 600,000 to 700,000 square feet of commercial space, a yacht club, several parks, more than four miles of trails, and the esplanade.

Also near the I-580 Freeway, the Point Richmond Tech Center I and II, consisting of approximately 225,000 square feet of office/R&D space have been constructed. In addition, the Point Richmond Business Park (Simeon Properties) consisting of 95,000 square feet was built in 1991 on Canal Boulevard, south of Cutting Boulevard and the I-580 Freeway.

Development activity in Richmond's South Shoreline and Marina Bay areas has accelerated in recent years. Catellus Development Corporation has completed construction of 50 acre Regatta Center development at Marina Bay. The property is located on the north side of Regatta Boulevard and includes 138,000 square feet of office flex space. In June 2002, construction was completed on the first phase of a campus for Dicon Fiberoptics. Since that time, a portion of the site has been sold to Pulte Homes, who is constructing 208 townhome and duet units.

Simeon Properties has completed the rehabilitation of the first 120,000 of R&D space at the Campus Bay office park. A 40 acre mixed-use component is under consideration by local planning authorities and regional regulatory agencies. The development entails approximately 1,000 residential units of varying product type.

Lincoln Property Company financed over $500,000 in improvements to the 340,000 square foot former Costco site on Regatta Boulevard. Signature Properties is nearing completion of the residential phase of an approximately 10.6 acres site at Marina Bay. The project will include 128 condominium units and approximately 40,000 square feet of marina oriented commercial space.

The historic 517,000 square foot Ford Assembly Building is now 88% leased, and full occupancy is scheduled for January 2008.

The former City Terminal One site located in the Brickyard Cove area is expected to be entitled for 258 residential condominiums in June of 2007. This site boasts extraordinary San Francisco Bay and skyline views, and a shoreline park near Brickyard Cove and Miller-Knox Regional Shoreline and Park.

Table 11 sets forth the number of permits and the value of those permits for the City from calendar year 2002 through 2006.

**TABLE 11**
**BUILDING PERMITS & VALUATION**
**RICHMOND, CALIFORNIA 2002-2006**

| Year | Number of Permits | Value (in Millions of Dollars) |
|---|---|---|
| 2002 | 2,006 | $101.1 |
| 2003 | 2,142 | 258.6 |
| 2004 | 2,322 | 186.6 |
| 2005 | 2,094 | 232.1 |
| 2006 | 2,332 | 197.3 |

*Source: Richmond Public Works Department, Building Regulations Division.*

Table 12 sets forth the breakdown of permit valuation by type of construction for the City from calendar year 2001 through 2005.

**TABLE 12**
**CITY OF RICHMOND**
**BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION**
**(In Thousands of Dollars)**

| Type | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Residential [1] | $ 50,457,634 | $66,644,013 | $ 64,277,486 | $ 83,321,000 | $ 71,257,600 |
| Non-Residential [2] | 62,704,323 | 26,464,520 | 79,895,280 | 54,866,000 | 54,368,000 |
| Total Valuations | $113,161,957 | $93,108,533 | $144,172,766 | $138,187,000 | $125,625,600 |

[1] Includes single family, multi-family and alterations and additions.
[2] Includes new commercial, new industrial, other new non-residential and alterations and additions.

*Source: Construction Industry Research Board.*

Table 13 sets forth the number of residential building permits issued for the City from calendar year 2001 through 2005.

**TABLE 13**
**RESIDENTIAL BUILDING PERMITS**
**RICHMOND, CALIFORNIA 2001-2005**

| Year | Single Family Units | Multi Family Units | Total Units |
|---|---|---|---|
| 2001 | 163 | 45 | 208 |
| 2002 | 211 | 40 | 251 |
| 2003 | 137 | 244 | 381 |
| 2004 | 213 | 117 | 330 |
| 2005 | 199 | 91 | 290 |

*Source: Construction Industry Research Board.*

*Community Facilities*

Richmond area residents have access to modern health care facilities. The Richmond area has two general hospitals, Doctors Hospital in San Pablo and Doctors Hospital in Pinole – both neighboring Richmond – plus the Kaiser Hospital Facility, located in downtown Richmond. Richmond also has several convalescent hospitals. The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. In addition, the City is home to the Rosie the Riveter/World War II Home Front National Historical Park. The City operates a public marina (775 boat berths at Marina Bay), four large community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nicholl Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many play lots and mini parks, and seven community centers.

In addition, the City operates a disabled person's recreation center, a sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Auditorium, the Richmond Swim Center, Coach Randolf Pool, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City of Richmond. Currently, 12 of the City's recreation centers are operational, up from a low of four centers in operation after significant staff cuts were made in order to address the City's financial difficulties during Fiscal Year 2003-04.

Also in Richmond are several private yacht harbors, golf and country clubs, and community theaters. Within 30-45 minutes by BART or car are the cultural resources of other cities in the East Bay and Bay Area, including Oakland, Berkeley and San Francisco.

East Bay Regional Park District (EBRPD) maintains one regional park, four regional shorelines, and one regional preserve within Richmond:

| Preserve | Acres |
|---|---|
| Wildcat Canyon Regional Park | 2,428 |
| Brooks Island Regional Shoreline | 373 |
| George Miller Jr./John T. Knox Regional Shoreline | 300 |
| Point Isabel Regional Shoreline | 21 |
| Point Pinole Regional Shoreline | 2,315 |
| Sobrante Ridge Regional Preserve | 277 |
| TOTAL | 5,714 |

One additional park land facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City at the eastern end of El Sobrante Valley.

The four regional shorelines presently owned and maintained by EBRPD represents a substantial portion of the City's shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of the City but also by the general public within the Bay Area region.

*Transportation*

The City is a central transportation hub in the Bay Area, offering convenient access throughout the region and well into central California. The City's port facilities, railroads and proximity to international airports are complemented by a network of freeways and public transportation services.

*Freeways*

Existing and new highways have made travel to and through the City more efficient and convenient. Interstate 80, which passes through the City, is a direct route to Oakland, San Francisco, Vallejo, Fairfield and Sacramento. Interstate 580 (the John T. Knox Freeway) provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond's South Shoreline. Similarly, completion of the Richmond Parkway through North Richmond in 1996 improves vehicular access between Marin and communities to the north and east on Interstate 80, while opening major tracts of land along the City's north shoreline for new development.

*Port and Rail*

The City's deep water port is California's third largest in annual tonnage, handling more than 20.8 million metric tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids, the majority of which arrive at the Chevron USA Long Wharf facility. The Port of Richmond (the "Port") comprises seven City owned terminals, 5 dry docks and 11 privately owned terminals. One of the City-owned terminals (Terminal One) is currently in the process of being sold to a developer for use as a residential development. In early 2004, the City entered into a lease with Auto Warehousing Company for the operation on City property of an auto importation business, which is expected to handle approximately 90,000 automobiles per year arriving on ships from South Korea. Private terminals are responsible for almost 95% of the Port's annual tonnage. On dock rail service is provided to many port terminals by the Burlington Northern Santa Fe ("BNSF") and the Union Pacific. The Port, together with the BNSF operations, serves as an intermodal rail facility. Interstate 580 has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargo, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargoes are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron, ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break bulk cargoes are also a significant part of the Port's business.

The City is currently undertaking a 10-year Port expansion plan that is designed to increase the capacity and profitability of the Port.

*Regional Airports*

Oakland International Airport (18 miles away) and San Francisco International Airport (28 miles away) provide the City with world-wide passenger and freight service. In addition, Concord's Buchanan Field, in central Contra Costa County, is 25 miles to the east and provides limited scheduled service and general aviation services.

*Public Transit*

The public is served by the Bay Area Rapid Transit System ("BART") with a station conveniently located in downtown Richmond; AMTRAK passenger train service is available from a station adjacent to the Richmond BART station; and AC Transit offers local bus service within the City, to other East Bay communities and to San Francisco.

*Utilities*

Utility services to the City are supplied by the following:

| | |
|---|---|
| Electric power: | Pacific Gas & Electric Co. |
| Natural gas: | Pacific Gas & Electric Co. |
| Telephone: | Pacific Bell |
| Water: | East Bay Municipal Utility District |
| Sewer: | West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District |

*Education*

The City comprises a portion of the attendance area of the West Contra Costa Unified School District, which comprises 42 elementary schools (18 of which are located in the City), seven middle schools (two of which are located in the City), and 14 high schools and alternative schools (six of which are located in the City) and has a total K-12 enrollment of approximately 35,000 students. In addition, private schools are located in the City and several institutions of higher education are located in or near the City, including the University of California at Berkeley, Contra Costa College, Diablo Valley College, Los Medanos College, the California Maritime Academy, California State University – East Bay, San Francisco State University, and the University of California at San Francisco.

# APPENDIX B

# SUMMARY OF THE NON-HOUSING INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

## SUMMARY OF THE NON-HOUSING INDENTURE

*The following is a brief summary of certain provisions of the Non-Housing Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Non-Housing Indenture in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Non-Housing Indenture.*

### DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"Additional Bonds" means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in the Indenture.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

"Adjusted Combined Debt Service" means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

"Agency" means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Agency Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

"Applicable Combined Obligations" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"ARBs" means, on any date, the Series 2007A Bonds in an ARB Interest Rate Period as to which interest accrues on such date as auction rate securities as provided in the Indenture and the Auction Procedures applicable thereto.

"ARB Beneficial Owner" means the Person who is the beneficial owner of an ARB according to the records of (i) the Securities Depository or its participants while such ARB is a Book-Entry Bond or (ii) the Trustee while the ARBs are not Book-Entry Bonds.

"ARB Default Rate" means the ARB Maximum Rate.

"ARB Interest Payment Date" has the meaning set forth in Appendix J.

"ARB Interest Rate Period" has the meaning set forth in Appendix J.

"ARB Maximum Rate" has the meaning set forth in Appendix J.

"ARB Payment Default" means (i) a default in the due and punctual payment of any installment of interest on ARBs or (ii) a default in the due and punctual payment of any principal of or premium, if any, on ARBs at stated maturity or pursuant to a mandatory redemption.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means any initial or successor or additional Person meeting the requirements of the Indenture which is a party to an Auction Agent Agreement and agrees with the Trustee to perform the duties of the Auction Agent set forth in the Indenture with respect to ARBs.

"Auction Agent Agreement" means, on any date, any initial, replacement or additional auction agent agreement in substantially the form of Exhibit D attached to the Indenture, as from time to time in effect.

"Auction Agent Fee" has the meaning provided in each Auction Agent Agreement.

"Auction Date" has the meaning set forth in Appendix J.

"Auction Period" has the meaning set forth in Appendix J.

"Auction Period Rate" has the meaning set forth in Appendix J.

"Auction Procedures" means the procedures for conducting Auctions for ARBs during an ARB Interest Rate Period set forth in Appendix J.

"Authorized Denominations" means with respect to the Series 2007A Bonds in any (i) Long-Term Interest Rate Period, $5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, $100,000 and any integral multiple of $5,000 in excess of $100,000, (iii) Index Interest Rate Period, $25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Authority" means the Richmond Joint Powers Financing Authority.

"Authorized Agency Representative" means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

"Authorized Denominations" means with respect to the Series 2007A Bonds in any (i) Long-Term Interest Rate Period, $5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, $100,000 and any integral multiple of $5,000 in excess of $100,000, (iii) Index Interest Rate Period, $25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, $25,000 and any integral multiple thereof.

"Available Moneys" means (a) during any period in which a Credit Support Instrument is in effect with respect to the Outstanding Series 2007A Bonds, (i) funds received by the Trustee pursuant to any Credit Support Instrument; (ii) remarketing proceeds received by the Tender Agent from the Remarketing Agent or any purchaser of Series 2007A Bonds (other than funds provided by the Agency or any affiliate of the Agency); (iii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or

subaccount established under the Indenture in which no other moneys which are not Available Moneys are held, and (B) which have so been on deposit with the Trustee for at least 124 consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to a payment with respect to the Series 2007A Bonds, no Event of Bankruptcy has occurred with respect to the Agency; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Owner of Series 2007A Bonds is an "insider" within the meaning of the Federal Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on Series 2007A Bonds would not be recoverable from the Owners thereof pursuant to Section 550 of the Federal Bankruptcy Code as avoidable preferential payments under Section 547 of the Federal Bankruptcy Code in the event of the occurrence of an Event of Bankruptcy with respect to the Agency; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; or (b) during any period in which no Credit Support Instrument is in effect with respect to the Outstanding Series 2007A Bonds, any moneys deposited with the Trustee.

"Balloon Indebtedness" means, with respect to any Series of Obligations 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"Basis Differential Amount" means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provider, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Series 2007A Bonds (including any Person holding Series 2007A Bonds through nominees, depositories or other intermediaries).

"Bid" has the meaning provided in Appendix J.

"Bond" means any of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) authorized pursuant to the Indenture and a Supplemental Indenture.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

"Bond Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

"Book-Entry Bonds" means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Auction Procedures, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference.

"Broker-Dealer Agreement" means, on any date, a broker-dealer agreement in substantially the form of Exhibit E attached hereto among the Trustee, the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

"Business Day" means any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day the city or cities in which the principal or other designated corporate office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Provider (if any) is located are required or authorized to close.

"Calendar Week" means, with respect to the Series 2007A Bonds in a Weekly Interest Rate Period, the period during which interest accrues with respect to the Series 2007A Bonds at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capped Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Combined Debt Service" means, for any period of time, the combined Debt Service ~~on~~ all Outstanding Senior Obligations and Parity Obligations.

"Combined Adjusted Annual Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in each Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

"Commercial Paper Dealer" means each of RBC Capital Markets, Inc., its successors and assigns, and any other commercial paper dealer appointed as provided in the Auction Procedures.

"Commercial Paper Interest Rate Period" means each Interest Rate Period, comprised of Commercial Paper Terms, during which Commercial Paper Rates are in effect with respect to the Series 2007A Bonds.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Commercial Paper Rate" means, with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, an interest rate with respect to such Series 2007A Bond established for a Commercial Paper Term in accordance with the Indenture.

"Commercial Paper Term" means, with respect to any Series 2007A Bond in a Commercial Paper Interest Rate Period, each period established in accordance with the Indenture during which such Series 2007A Bond shall bear interest at a particular Commercial Paper Rate.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Conversion" means a conversion of the Series 2007A Bonds from one Interest Rate Period to another Interest Rate Period and, with respect to Series 2007A Bonds in a Long-Term Interest Rate Period, the establishment of another Long-Term Interest Rate Period for the Series 2007A Bonds.

"Conversion Date" means the effective date of a Conversion.

"Costs of Issuance" means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and

any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"Credit Provider ~~Re~~imbursement Obligations" means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Daily Interest Rate" means an interest rate with respect to the Series 2007A Bonds in a Daily Interest Rate Period established in accordance with the Indenture.

"Daily Interest Rate Period" shall mean each Interest Rate Period during which Daily Interest Rates are in effect.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in the Indenture.

"Debt Service Adjustments and Assumptions" means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations, as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) below applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service

paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

"Debt Service Reserve Account" means the Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap

Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

"Differential Interest Amount" shall have the meaning, if any, ascribed to such term in any Credit Support Instrument.

"Drawing Time" means, with respect to any Credit Support Instrument, the time specified therein by which the Tender Agent must submit a draw request in order to receive immediately available funds to pay the Purchase Price of on the Series 2007A Bonds.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Eligible Collateral" means, with respect to Qualified Swap Agreements and Qualified Caps the following:

| | | Valuation Percentage |
|---|---|---|
| 1. | Cash | 100% |
| 2. | Treasury Securities and Agency Notes with a remaining maturity of not more than one (1) year. | 100% |
| 3. | Treasury Securities and Agency Notes with a remaining maturity of more than one (1) year but not more than two (2) years. | 99% |
| 4. | Treasury Securities and Agency Notes with a remaining maturity of more than two (2) years but not more than five (5) years. | 98% |
| 5. | Treasury Securities and Agency Notes with a remaining maturity of more than five (5) years but not more than ten (10) years. | 97% |
| 6. | Treasury Securities and Agency Notes with a remaining maturity of more than ten (10) years. | 95% |

For purposes of the foregoing, "Agency Notes" shall mean negotiable debt obligations that are fully guaranteed as to both principal and interest by either (i) the Federal National Mortgage Association, (ii) the Government National Mortgage Association, or (iii) the Federal Home Loan Mortgage Corporation which are rated at least AA/Aa2 by S&P or Moody's, respectively.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof,

deemed paid and defeased pursuant to the Indenture; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Event of Default" means an event described as such in the provisions of the Indenture described below under the caption "Events of Default; Remedies—Events of Default."

"Existing Owner" means, with respect to any Auction, a person who is listed as the beneficial owner of ARBs in the records of the Auction Agent.

"Expiration Date" means (i) the date upon which a Credit Support Instrument is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Support Instrument, from time to time) or terminate in accordance with its terms, including without limitation, termination upon delivery of an Alternate Credit Support Instrument to the Trustee and (ii) the date upon which a Credit Support Instrument terminates following voluntary termination by the Agency pursuant to the Indenture.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

"Fiduciary" means the Trustee for the Bonds appointed as provided in the Indenture.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"First Supplemental Indenture" means that certain First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee, supplementing the Master Indenture, as the same may be amended and supplemented.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

"Fitch" means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Fixed Index Interest Rate Conversion Date" means the Conversion Date for the Series 2007A Bonds to an Index Interest Rate for which the Agency has irrevocably elected an Index Interest Rate Period ending on the day immediately preceding the Maturity Date.

"Fixed Rate Conversion Date" means the Conversion Date for the Series 2007A Bonds to a Long-Term Interest Rate for a Long-Term Interest Rate Period ending on the day immediately preceding the Maturity Date.

"Flexible Auction Period" has the meaning set forth in the Auction Procedures.

"Generally Accepted Accounting Principles" means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hedged Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency's payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty's payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

"Hold Order" has the meaning provided in Appendix J.

"Index" has the meaning, with respect to ARBs, in Appendix J.

"Index Bond Calculation Period" for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

"Index Bond Reset Date" means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

"Index Bonds" means Series 2007A Bonds bearing interest at an Index Interest Rate.

"Index Interest Rate" means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in this First Supplemental Indenture, but not to exceed the Maximum Interest Rate.

"Index Interest Rate Period" means each Interest Rate Period during which Index Interest Rates are in effect.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency;

(3) and is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Initial 2007 Series A Auction Agent" means Union Bank of California, a national banking corporation.

"Initial 2007 Series A Broker-Dealer" means RBC Capital Markets, Inc.

"Initial 2007 Series A Broker-Dealer Agreement" means the Broker-Dealer Agreement, dated as of July 1, 2007, by and between the Auction Agent and the Initial 2007 Series A Broker-Dealer and maintained in accordance with the Indenture.

"Interest Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Interest Accrual Date" means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each March 1 and September 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

"Interest Payment Date" means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Wednesday of each calendar month (or the next succeeding Business Day if such Wednesday is not a Business Day); (iii) with respect to each

Long-Term Interest Rate Period, each March 1 and September 1 or if any such March 1 and September 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each Series 2007A Bond in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such Series 2007A Bond; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

"Interest Rate Period" means a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period.

"Issuing Instrument" means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Long-Term Conversion Date" means the date on which the Series 2007A Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of the Indenture and such term shall include the Fixed Rate Conversion Date for the Series 2007A Bonds.

"Long-Term Interest Rate" means an interest rate with respect to the Series 2007A Bonds during a Long-Term Interest Rate Period established in accordance with the Indenture.

"Long-Term Interest Rate Period" means each Interest Rate Period during which a Long-Term Interest Rate is in effect with respect to the Series 2007A Bonds.

"Maximum Interest Rate" means: (i) with respect to Series 2007A Bonds other than ARBs and Credit Provider Bonds, twelve percent (12%) per annum; (ii) with respect to ARBs, the ARB Maximum Rate; and (iii) with respect to Credit Provider Bonds, 25% per annum; provided, however, that the Maximum Interest Rate for any Series 2007A Bond shall not exceed the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law which, as of the date of hereof, is 12% per annum for all Series 2007A Bonds other than Credit Provider Bonds.

"MMD" means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Agency. The MMD as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Adjusted Rate" means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

"MMD Initial Rate" means the applicable rate for each Index Bond as designated by the Agency at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

"MMD Maturity" means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to a Series of Index Bonds.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Net Payment" means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Notice of ARB Payment Default" means notice pursuant the Indenture to the Auction Agent and each Broker-Dealer that there has been an ARB Payment Default.

"Notice of Cure of ARB Payment Default" means a notice substantially in the form of attached to the Indenture.

"Notice of Mandatory Tender" means the notice provided in the Credit Support Instrument to the effect that Credit Provider's obligation to advance funds under a Credit Support Instrument terminates as of the date specified in such notice due to the occurrence of an event of default under such Credit Support Instrument (other than an event of default under such Credit Support Instrument which causes such Credit Support Instrument to terminate immediately without notice or demand).

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, Senior Bonds.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Order" means a Hold Order, Bid or Sell Order.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the

principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

"Parity Obligations" means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Series 2007A Bond Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1" or better by Standard & Poor's;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(12) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Series 2007A Bond Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the Series 2007A Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Potential Owner" means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in ARBs, in addition to the ARBs currently owned by such person, if any.

"Principal Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Principal Office" means, with respect to: (i) the Trustee, the principal office of such Trustee in San Francisco, California, and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area,* initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area,* initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area,* initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area,* initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area,* initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area,* initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area,* initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area,* initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area*, initially established April 4, 1960, as amended from time to time.

"Proper Delivery" means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof in connection with any optional or mandatory tender of such Tendered Bond for purchase pursuant to the Indenture: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on

the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Date" means, with respect to each Tendered Bond, the date on which such Tendered Bond is tendered or deemed tendered for purchase pursuant to the Indenture.

"Purchase Price" means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date as provided for the payment of interest on Series 2007A Bonds in the Indenture and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price determined pursuant to the Indenture which would have been applicable to the redemption of such Tendered Bond on such Purchase Date pursuant to the Indenture if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the

Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

"Redemption Date means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

"Redemption Fund" means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund established pursuant to the Indenture.

"Redemption Price" means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

"Redevelopment Plan" means, collectively, the Redevelopment Plan for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan."

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of the Indenture.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

"Remaining Redevelopment Plan Limit" means the applicable time limit to collect tax increment under the Redevelopment Plan.

"Remarketing Agent" means any initial, successor or additional remarketing agent appointed with respect to the Series 2007A Bonds.

"Remarketing Agreement" shall mean the agreement or instrument pursuant to which a Remarketing Agent for the Series 2007A Bonds shall perform its services.

"Remarketing Proceeds Account" means the account by that name within the Bond Purchase Fund established pursuant to the Indenture.

"Representation Letter" means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Required Stated Amount" means with respect to a Credit Support Instrument, at any time of calculation, an amount equal to the aggregate principal amount of all Outstanding Series 2007A Bonds as to which the Purchase Price is payable pursuant to the Indenture from the proceeds of a drawing on such Credit Support Instrument, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a certificate of an Authorized Agency Representative to be the minimum period specified by each Rating Agency then rating such Series 2007A Bonds as necessary to obtain (or maintain) a specified short-term rating of the Series 2007A Bonds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Sell Order" has the meaning set forth in Appendix J.

"Senior Bonds" means, collectively, the Richmond Community Redevelopment Agency Harbour Redevelopment Project 1991 Tax Allocation Refunding Bonds, the Richmond Community Redevelopment Agency Harbour Redevelopment Project Tax Allocation Refunding Bonds, 1998 Series A, the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2000A (Tax-Exempt), the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003A (Tax Exempt), and the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2003B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired

as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Obligations" means, collectively, the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), and the Loan Agreement, dated as of August 1, 2003, between the Agency and the Authority (the "2003 Senior Loan Agreement").

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Non-Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds, Series 2004A (Taxable).

"SIFMA Index" means the "Securities Industry and Financial Markets Association Municipal Swap Index" (such index previously known as the "Bond Market Association Municipal Swap Index" and the "PSA Municipal Swap Index") announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is tax-exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all tax-exempt securities are subject to such tax.

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Sinking Fund Installment" means, with respect to the Series 2007A Bonds, the amount required by the Indenture to be paid by the Agency on any single date for the retirement of Series 2007A Bonds.

"Special Fund" means the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to the Indenture.

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Statutory Corporate Tax Rate" means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date hereof is 35%.

"Submitted Bid" has the meaning specified in Appendix J.

"Submitted Hold Order" has the meaning specified in Appendix J.

"Submitted Order" has the meaning specified in Appendix J.

"Submitted Sell Order" has the meaning specified in Appendix J.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture. The 2007 Swap Termination Payments are Subordinate Obligations.

"Sufficient Clearing Bids" has the meaning specified in Appendix J.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Agent" means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

"Tendered Bond" means any Series 2007A Bond (or the portion of any Series 2007A Bond) tendered or deemed tendered for purchase pursuant to the Indenture.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"2007 Series A Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series A Coverage Reserve Subaccount pursuant to the Indenture.

"2007 Series A Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the 2007 Series B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Non-Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"2007 Series A Tax Certificate" means that certain Tax Certificate and Agreement signed by the Agency on the Delivery Date and relating to the requirements of Section 148 of the Code.

"Undelivered Bond" means, with respect to each Purchase Date, each Tendered Bond subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Bond to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Bond shall be considered an Undelivered Bond on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Bonds to pay in full the applicable Purchase Price of all Tendered Bonds due on such Purchase Date.

"Variable Index" means the SIFMA Index. If for any reason the SIFMA Index for any rate determination date is not announced or is otherwise unavailable or is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index", the Variable Index for such rate determination date shall be an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt and not subject to any personal "alternative minimum tax" or similar tax under the Code unless all Tax-Exempt bonds are subject to such tax. If no such index is so selected by the Remarketing Agent or if any such index is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of "Index," the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis

of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

"Weekly Interest Rate" means an interest rate with respect to the Series 2007A Bonds in a Weekly Interest Rate Period established in accordance with the Indenture.

"Weekly Interest Rate Period" means each Interest Rate Period during which Weekly Interest Rates are in effect.

## THE NON-HOUSING INDENTURE

### Authorization of Bonds

The Non-Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Non-Housing Indenture is not limited except as may hereafter be provided in the Non-Housing Indenture or as may be limited by law.

### Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

### Indenture to Constitute Contract

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

### General Provisions for Issuance of Bonds

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued,

which shall be one of the purposes specified in the provisions of the Indenture described below under the captions "—Additional Bonds" and "—Refunding Bonds"; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions "—Refunding Bonds" or "—Conditions to Issuance of Parity Obligations," as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption "—Refunding Bonds," or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption "—Refunding Bonds," as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Additional Bonds**

Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Refunding Bonds**

(a) Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations.

Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds" and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds") of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Conditions to Issuance of Parity Obligations**

(a) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to subparagraph (e) below, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Conditions of Issuance of Subordinated Obligations**

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as

such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

*Credit Provider Bonds*. Subject only to the provisions of the Indenture described above under the caption "—Bonds Constitute Special Obligations," notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

*Limitation on Issuance of Senior Bonds.* The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

**Establishment of Funds and Application Thereof**

*Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture* permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

*Funds. To ensure the payment when due and payable, whether at maturity or upon* redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

*Receipt and Deposit of Subordinate Pledged Tax Revenues.* After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

*Special Fund.* (a) All moneys in the Special Fund shall be set aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed

at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial

Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(6) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support

Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

*Redemption Fund.* From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

*Depositories.* The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes of the Indenture.

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

*Investment of Certain Funds.* Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption "—Investment of Certain Funds," invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

*Sale of Investments.* Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

**Covenants**

*Compliance with Indenture.* The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and

performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

*Against Encumbrances.* The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

*Extension or Funding of Claims for Interest.* In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

*Payment of Claims.* The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

*Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

*Payment of Taxes and Other Charges.* Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

*Financing the Project.* The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

*Taxation of Leased Property.* Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the

term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

*Disposition of Property in Project Area.* The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

*Amendment of Redevelopment Plan.* If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

*Subordinate Pledged Tax Revenues.* The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

*Further Assurances.* The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

*Tax Covenants.* The Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under paragraph (a) below, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions under this "—Tax Covenants," if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption "—Tax Covenants" or a Tax Certificate is no longer required or that some further or different action is required to maintain

the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption "—Tax Covenants" and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this "—Tax Covenants" shall survive payment in full or discharge of the Tax-Exempt Bonds.

*Agreements with Other Taxing Agencies.* So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

*Annual Review of Subordinate Pledged Tax Revenues.* The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than _____ 1 (commencing _____ 1, 20__), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

**Amendments to Indenture**

*Amendments Permitted.* (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption "Amendments to Indenture." No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption "—Amendments Permitted," the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(d) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

*Effect of Supplemental Indenture.* Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

*Bonds Owned by Agency.* For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a

certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

*Notation on Bonds.* Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

*Consent of Providers or Owners of Parity Obligations.* The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

**Concerning the Fiduciaries**

*Trustee; Acceptance of Duties.* The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

*Resignation of Trustee.* The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

*Removal of Trustee.* The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

**Defeasance**

*Payment of Bonds.* (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

*Bonds Deemed Paid.* Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds." Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds" (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to

the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

*Defeasance of Portion of Bond.* If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

*Discharge of Liability on Bonds.* Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions "—Payment of Bonds" or "—Bonds Deemed Paid," as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

**Events of Default; Remedies**

*Events of Default.* Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

(a) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the provisions of the Indenture described under the caption "Events of Default; Remedies" which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and

payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

(c) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

*Right to Accelerate Upon Default.* Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each

Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

*Appointment of Receiver.* If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, and subject to rights of the relevant Credit Provider to direct remedies as set forth in the Indenture or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

*Remedies Not Exclusive.* No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this paragraph have been satisfied with respect to such subsequent Event of Default.

*Notice of Default.* The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

**Miscellaneous**

*Credit Providers.* (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the

Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

*Reserve Financial Guaranty Providers.* All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

*No Recourse on Bonds.* Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

*Unclaimed Moneys.* Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall

look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

*Governing Law.* The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Bond Insurance Provisions**

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007A Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007A Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained in the Indenture, the consent or direction, as appropriate, of the Series 2007A Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007A Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007A Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2007 Series Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007A Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007A Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007A Bonds absent a default by the Series 2007A Bond Insurer under the Series 2007A Bond Insurance Policy insuring the Series 2007A Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007A Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the Series 2007A Bonds shall be paid by the Series 2007A Bond Insurer pursuant to the Series 2007A Bond Insurance Policy, the Series 2007A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Subordinate Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the Bonds shall continue to exist and shall run to the benefit of the Series 2007A Bond Insurer, and the Series 2007A Bond Insurer shall be subrogated to the rights of such Owners of the Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the

Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007A Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007A Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007A Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants an agrees that it shall reimburse the Series 2007A Bond Insurer for any amounts paid under the Series 2007A Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007A Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007A Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007A Bond Insurer in respect of interest on the Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Bonds. For the purposes of the foregoing, "Series 2007A Bond Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007A Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007A Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007A Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007A Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007A Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the Series 2007A Bond Insurer if

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings

service acceptable to the Series 2007A Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

**Termination Payments under the 2007 Swap**

Termination Payments payable pursuant to the 2007 Swap are deemed Subordinated Obligations by the Indenture, and the Agency by the Indenture grants a lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues to secure its obligations to make such 2007 Swap Termination Payments, which lien on, security interest in and pledge shall be subordinate and junior in all respects to the payment of the Bonds and Parity Obligations under the Indenture.

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX C

# SUMMARY OF THE HOUSING INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX C

## SUMMARY OF THE HOUSING INDENTURE

*The following is a brief summary of certain provisions of the Housing Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and reference is made to the Housing Indenture in its entirety for the complete terms thereof. Capitalized terms used in this summary which are not otherwise defined in this Official Statement have the meanings ascribed to such terms in the Housing Indenture.*

### DEFINITIONS

"Accountant's Certificate" means a certificate signed by an Independent Certified Public Accountant selected by the Agency.

"Accreted Value" means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date shall be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

"Additional Bonds" means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in the Indenture.

"Additional Parity Obligations" means Parity Obligations, including Additional Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

"Adjusted Combined Debt Service" means, for any period of time, the Combined Debt Service for such period minus the sum of the amount of such Combined Debt Service with respect to Outstanding Senior Bonds or Parity Obligations to be paid during such period from the proceeds of Senior Bonds or Parity Obligations as set forth in a certificate of the Agency.

"Agency" means the Richmond Community Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Agency Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Agency under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Agency thereunder.

"Applicable Combined Obligations" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture and as of the date of such certificate, all Senior Obligations and Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

"Authority" means the Richmond Joint Powers Financing Authority.

"Authorized Denominations" means, with respect to the 2007 Series B Bonds, $5,000 principal amount, or $5,000 Maturity Value for any 2007 Series B Bonds issued as Capital Appreciation Obligations, and any integral multiple thereof; provided that the first numbered 2007 Series B Bond issued as a Capital Appreciation Obligation may be issued in a denomination such that the Maturity Value of such Bond shall not be in an integral multiple of $5,000.

"Authorized Agency Representative" means the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Executive Director of the Agency.

"Balloon Indebtedness" means, with respect to any Series of Obligations 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

"Basis Differential Amount" means the amount equal to principal amount of the related Bonds multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the Bonds that relate to the Qualified Swap Agreement in the previous Fiscal Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under the Qualified Swap Agreement in the previous Fiscal Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provider, however, that so long as the Qualified Swap Agreement is based on the BMA Municipal Swap Index or the actual rate of the related Bonds, the Basis Differential Amount shall be zero.

"Beneficial Owner" means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Bond" means any of the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) authorized pursuant to the Indenture and a Supplemental Indenture.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Agency.

"Bond Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations, (c) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon), including the Accreted Value of any Bonds which are Capital Appreciation Obligations and Term Obligations.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

"Bondowner" or "Owner" means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

"Book-Entry Bonds" means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (iv) any day on which the banks are authorized or required by law or other government action to close

in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

"Capital Appreciation Obligations" means any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

"Capped Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Cap has been entered into or purchased.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

"Combined Debt Service" means, for any period of time, the combined Debt Service on all Outstanding Senior Obligations and Parity Obligations.

"Combined Adjusted Annual Debt Service" means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Combined Obligations, the amount of Adjusted Combined Debt Service becoming due on the Applicable Combined Obligations in each Fiscal Year, as adjusted as provided in this definition and calculated by the Agency or by a Consultant. For purposes of calculating Combined Adjusted Annual Debt Service, the determination of Combined Debt Service on the Applicable Combined Obligations coming due in each Fiscal Year shall be subject to the Debt Service Adjustments and Assumptions.

"Commercial Paper Program" means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

"Consultant" means a consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the Agency to perform acts, prepare certificates or otherwise carry out the duties provided for a Consultant in the Indenture or any Supplemental Indenture. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for works of the character required. Such accountants or accounting firm shall be Independent Certified Public Accountants licensed to practice in the State of California. Any financial consultant or firm of such consultants shall be an Independent Financial Consultant. Any consultant or firm of consultants recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies shall an Independent Redevelopment Consultant.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Costs of Issuance" means, to the extent permitted by the Law, all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial

fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

"Credit Provider Reimbursement Obligations" means obligations of the Agency to pay from the Subordinate Pledged Tax Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

"Credit Provider Bonds" means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

"Credit Support Agreement" means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Agency and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Agency by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but shall not include a Reserve Financial Guaranty.

"Crossover Date" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, the date on which the proceeds of the sale of such Refunding Parity Obligations are to be applied to the payment of the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of such Refunding Parity Obligations in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Escrow" means, with respect to any Series of Refunding Parity Obligations constituting Crossover Refunding Obligations, a trust or escrow fund or account established with an Escrow Agent into which proceeds of the sale of such Series of Refunding Parity Obligations and, if necessary, other available funds have been deposited in an amount sufficient to pay when due, or to purchase bonds, notes or other evidences of indebtedness the scheduled payments of principal of and interest on which shall provide moneys at the times and in amounts sufficient to pay when due, the applicable Crossover Refunding Requirements in accordance with the applicable Crossover Refunding Instructions.

"Crossover Refunding Instructions" means, with respect to a Series of Refunding Parity Obligations which constitute Crossover Refunding Obligations, a certificate, order, escrow deposit agreement, or other direction from an Authorized Agency Representative to the Escrow Agent for the applicable Crossover Refunding Escrow to apply amounts in the applicable Crossover Refunding Escrow to the payments of principal and interest scheduled to be made on the Crossover Refunding Obligations to and including the applicable Crossover Date and on such Crossover Date to apply moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded or, in the event that the conditions to such payment or redemption contained in the Issuing Instrument authorizing the issuance of such Crossover Refunding Obligations are not satisfied, to the payment or redemption of the Crossover Refunding Obligations on the terms and conditions set forth in such Issuing Instrument.

"Crossover Refunding Obligations" means Refunding Parity Obligations as to which a Crossover Refunding Escrow has been established and which are payable, prior to the application of moneys in the applicable Crossover Refunding Escrow to the payment or redemption of the Parity Obligations to be refunded, only from amounts in such Crossover Refunding Escrow.

"Crossover Refunding Requirements" means, with respect to a Series of Refunding Parity Obligations constituting Crossover Refunding Obligations and the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations, moneys sufficient to pay when due: (i) the scheduled principal of and interest on the Series of Refunding Parity Obligations coming due on and before the applicable Crossover Date (other than as a result of the failure to apply moneys in the applicable Crossover Refunding Escrow to the refunding of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations on the Crossover Date); (ii) the principal of, premium, if any, and interest on such Refunding Parity Obligations which are payable in accordance with the applicable Crossover Refunding Instructions in the event the amounts in the applicable Crossover Refunding Escrow are not applied to the payment or redemption of the Parity Obligations to be refunded with the proceeds of the sale of such Refunding Parity Obligations; and (iii) the principal of and premium, if any, on the Parity Obligations to be refunded with the proceeds of the sale of the Refunding Parity Obligations coming due in accordance with the applicable Crossover Refunding Instructions.

"Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, assuming that all Outstanding Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are retired as scheduled and that all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, are redeemed or paid from Sinking Fund Installments as scheduled, (b) that portion of the principal amount of all Outstanding Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Serial Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, (c) that portion of the principal amount of all Outstanding Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Term Obligations that are Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, and (d) amounts, if any, required to be deposited in the Debt Service Reserve Account or any other debt service reserve fund with respect to Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable (other than Bonds), established under any Issuing Instrument. Debt Service, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, shall not include (a) interest on Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture or other Issuing Instrument, provided that (i) projected interest earnings on such proceeds, plus such amounts, if any, deposited by the Agency in an interest account therefor, are sufficient to pay the interest due on such portion of the Senior Bonds, Parity Obligations or Subordinated Obligations, as applicable, so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue and Adjusted Tax Revenue coverage and satisfaction of any debt service reserve requirement, are substantially similar to those for the issuance of Additional Parity Obligations set forth in the Indenture.

"Debt Service Adjustments and Assumptions" means, for purposes of determining Combined Adjusted Annual Debt Service and for purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the following adjustments and assumptions are to be made with respect to Combined Debt Service or Debt Service, as applicable:

(a) in determining the amount of Combined Debt Service or Debt Service, as applicable, constituting principal due in each Fiscal Year, principal payments with respect to Applicable Combined Obligations or Parity Obligations, as applicable, which are, or upon issuance shall be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, shall be treated as if such Applicable Combined Obligations or Parity Obligations,

as applicable, were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made;

(b) if all or any portion or portions of the Applicable Combined Obligations or Parity Obligations, as applicable, constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Combined Adjusted Annual Debt Service or the interest deposit, as applicable, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness shall be treated as if it were to be amortized with substantially level annual Debt Service payments over the Remaining Redevelopment Plan Limit commencing on the date which is the first anniversary of the initial issuance of such Applicable Combined Obligations or Parity Obligations, as applicable;

(c) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Applicable Combined Obligations or Parity Obligations, as applicable, shall have been Outstanding;

(d) if any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (g) applies), the interest rate on such Applicable Combined Obligations or Parity Obligations, as applicable, for any period as to which such interest rate has not been established shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency.

(e) if the Additional Parity Obligations proposed to be issued shall be Tax-Exempt Variable Rate Indebtedness (except to the extent paragraph (h) below applies), then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average TBMA Index during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if that index is no longer published, seventy-five percent (75%) of the One Month USD LIBOR Rate, or if the One Month USD LIBOR Rate is not available, another similar rate or index selected by the Agency;

(f) if the Additional Parity Obligations proposed to be issued shall be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent paragraph (h) below applies) then the interest rate on such Additional Parity Obligations shall be assumed to be 110% of the average One Month USD LIBOR Rate during the calendar quarter preceding the calendar quarter in which the calculation of Combined Adjusted Annual Debt Service or interest deposit determination, as applicable, is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Agency;

(g) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, which are not Hedged Bonds, the interest rate on such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement shall be determined for purposes of calculating Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service paid or to be paid by the Agency as interest on the Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, during

such Fiscal Year or portion thereof (determined as provided in paragraph (c) or (d), as applicable, if such Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) paid or to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Outstanding Applicable Combined Obligations or Parity Obligations, as applicable, constituting Variable Rate Indebtedness is assumed to bear interest;

(h) if a Qualified Swap Agreement has been entered into by the Agency with respect to any Additional Parity Obligations which are not Hedged Bonds proposed to be issued, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement shall be determined for purposes of calculating Maximum Adjusted Annual Debt Service and determining the interest deposit, as applicable, by adding: (1) the amount of Debt Service to be paid by the Agency as interest on such Additional Parity Obligations during such Fiscal Year or portion thereof (determined as provided in paragraph (e) or (f), as applicable, if such Additional Parity Obligations are to constitute Variable Rate Indebtedness) and (2) the net amount (which may be a negative amount) to be paid by the Agency under the Qualified Swap Agreement (after giving effect to payments to be made and received by the Agency under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for this purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement shall be deemed to be the rate at which the related Additional Parity Obligations which are to constitute Variable Rate Indebtedness shall be assumed to bear interest;

(i) if any of the Applicable Combined Obligations or Parity Obligations, as applicable, are, or upon issuance shall be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(j) if the Additional Parity Obligations proposed to be issued are Hedged Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement; and

(k) if the Additional Parity Obligations proposed to be issued are Capped Bonds, then, for purposes of determining Combined Adjusted Annual Debt Service and determining the interest deposit, as applicable, the interest on such proposed Additional Parity Obligations for each Fiscal Year or portion thereof shall be assumed to be equal to the interest rate specified under the related Qualified Cap above which the counter party under the Qualified Cap is obligated to pay to the Agency payments equal to the interest payable on the Capped Bonds above such specified interest rate.

"Debt Service Reserve Account" means the Debt Service Reserve Account, and any account thereof, established pursuant to the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Bonds as determined under the Code, or (b) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (c) one hundred twenty-five percent (125%) of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the Agency and specified in writing to the Trustee; provided, however, that in determining Bond Debt Service with

respect to any Bonds or Series of Bonds that constitute Variable Rate Indebtedness, (A) with respect to Hedged Bonds, the interest on such Bonds shall be assumed to be equal to the Agency's fixed payments under the applicable Qualified Swap Agreement, and (B) with respect to other Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding; provided, further, that, to the extent the Agency elects in a Supplemental Indenture to maintain a separate account for any Series of Bonds, the Debt Service Reserve Requirement with respect to such Series shall be as set forth in such Supplemental Indenture.

"Denominational Amount" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the initial principal amount thereof as of the Dated Date, as set forth in the Indenture.

"Depository" means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

"Electronic" means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

"Escrow Agent" means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the Agency to hold in trust moneys set aside for either: (i) the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to the Indenture; or (ii) the payment of the principal, premium, if any, or interest on Crossover Refunding Bonds or the Parity Obligations to be refunded with the proceeds of the sale of such Crossover Refunding Bonds.

"Event of Bankruptcy" means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person's assets shall be appointed in any proceeding brought against the Person or such Person's assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

"Event of Default" means an event described as such in the provisions of the Indenture described below under the caption "Events of Default; Remedies—Events of Default."

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as the same may be amended and supplemented, and any successor statute.

"Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full

faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

"Fiduciary" means the Trustee for the Bonds appointed as provided in the Indenture.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

"First Supplemental Indenture" means the First Supplemental Indenture of Trust, dated as of July 1, 2007, between the Agency and the Trustee supplementing the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

"Fitch" means Fitch, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Generally Accepted Accounting Principles" means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hedged Bonds" means Bonds issued under the Indenture as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency's payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty's payment obligations under the Qualified Swap Agreement are reasonably expected to be equivalent to the interest payments on the Hedged Bonds as certified by the counterparty and the Agency at the time of entering into the Qualified Swap Agreement.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Initial Amount" means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

"Interest Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Interest Payment Date" or "Interest Date" means , with respect to the 2007 Series B Bonds, each March 1 and September 1, commencing September 1, 2007.

"Issuing Instrument" means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Maturity Value" means, for each maturity of 2007 Series B Bonds issued as Capital Appreciation Obligations, the value of such 2007 Series B Bond at its maturity, as set forth in the Indenture.

"Moody's" means Moody's Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the Agency.

"Net Payment" means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Agency in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Agency, it shall be expressed as a positive number and if a Net Payment is receivable by the Agency, it shall be expressed as a negative number.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"Obligations" means (a) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Subordinate Pledged Tax Revenues, (b) obligations to replenish any debt service reserve fund with respect to obligations of the Agency described in (a) above; (c) obligations secured by or payable from any of obligations of the Agency described in (a) above; (d) obligations payable from the Subordinate Pledged Tax Revenues and entered into in connection with, relating to, or otherwise serving as a hedge with respect to, an obligation described in (a), (b) or (c) above under any Public Finance Contract; (e) Credit Provider Reimbursement Obligations; and (f) with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, Senior Bonds.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Agency.

"Opinion of Bond Counsel" means a written opinion signed by Bond Counsel.

"Outstanding" when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the Agency, except (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; (c) Obligations in lieu of or in substitution for which replacement Obligations have been issued; and (d) prior to the applicable Crossover Date, Refunding Parity Obligations which are Crossover Refunding Obligations.

"Paired Obligations" means any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the Agency for the terms of such Paired Obligations.

"Parity Obligations" means Bonds and any Obligations which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements. Parity Obligations include the Series 2004 Parity Obligations.

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in such Bonds.

"Paying Agent" means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by cities including, without limitation, the provisions of California Government Code Section 5922(d):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues)

(b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(c) General Services Administration;
Participation certificates

(d) Federal Housing Administration Debentures (FHA)

(e) U.S. Maritime Administration;
Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)
Project Notes, Local Authority Bonds, New Communities Debentures –
U.S. government guaranteed public housing notes and bonds,
U.S. Public Housing Notes and Bonds –
U.S. government guaranteed public housing notes and bonds

(g) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

(h) Federal Financing Bank

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

(b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation certificates (Mortgage-backed securities)
Senior debt obligations

(c) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations

(d) Resolution Funding Corp. (REFCORP) obligations

(e) Farm Credit System
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2;

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the certificateholders must have a perfected first security interest in the collateral;

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Series 2007B Bond Insurer;

(8) Commercial paper rated "Prime-1 by Moody's and "A-1" or better by Standard & Poor's;

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one or two of the highest long-term rating categories assigned by such agencies;

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" by Standard & Poor's;

(11) Repurchase Agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(12) Any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund (LAIF) in the treasury of the State;

(13) Participation in the California Asset Management Program (CAMP); and

(14) Forward Purchase and Sale Agreements for the purchase and delivery of Permitted Investments, approved in writing by the Series 2007B Bond Insurer;

(15) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition;

(16) Any other structured investment arrangement approved in writing by the Series 2007B Bond Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Principal Office" means, with respect to: (i) the Trustee, the principal office of such Trustee in San Francisco, California, and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means, collectively, the following project areas established by the Agency, which have been merged by the Agency pursuant to the Law:

*Downtown 10A Project Area*, initially established May 23, 1966; as amended from time to time.

*Eastshore 1A Project Area*, initially established August 26, 1957; as amended from time to time.

*Galvin 3A Project Area*, initially established February 28, 1955, as amended from time to time.

*Harbor Gate 6A Project Area*, initially established November 8, 1954; as amended from time to time.

*Harbour 11A Project Area*, initially established June 9, 1975, as amended from time to time.

*Hensley 8A Project Area*, initially established May 29, 1960; as amended from time to time.

*Nevin 10B Project Area*, initially established September 18, 1972; as amended from time to time.

*North Richmond 12A Project Area*, initially established September 18, 1972, as amended from time to time.

*Potrero 1C Project Area*, initially established April 4, 1960, as amended from time to time.

"Public Finance Contract" means (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (ii) any contract to exchange cash flows or a series of payments, or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Agency and a counterparty.

"Purchase Price" means: (i) with respect to Bonds of any Series, the purchase price set forth in the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

"Qualified Cap" means a Public Finance Contract under which all of the following apply: (a) the term of the Public Finance Contract is coterminous with the maturity of the Capped Bonds, (b) the initial notional amount of the Public Finance Contract is equal to the initial principal amount of the Capped Bonds and the notional amount of the Public Finance Contract reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Capped Bonds, and (c) the counterparty's payment obligations under the Public Finance Contract are equal to the interest payable on the Capped Bonds above a specified interest rate.

"Qualified Swap Agreement" means a Public Finance Contract, the Agency's obligations to make Net Payments under which are payable from the Subordinate Pledged Tax Revenues on a parity with the payment of other Parity Obligations and satisfying the conditions of the Indenture, intended to place Parity Obligations or the applicable investments on the interest rate, currency, cash flow or such other basis desired by the Agency.

"Rating Agency" means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the Agency, each of Moody's, Standard & Poor's or Fitch, or in the event that neither Moody's, Standard & Poor's or Fitch then maintains a rating on Parity Obligations at the request of the Agency, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Agency.

"Rating Category" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the Agency to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

"Record Date" means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

"Redemption Date means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

"Redemption Fund" means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds Redemption Fund established pursuant to the Indenture.

"Redemption Price" means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

"Redevelopment Plan" means, collectively, the Redevelopment Plan for the Project Area or "Richmond Community Redevelopment Agency Merged Project Areas Plan."

"Refunding Bonds" means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of the Indenture.

"Refunding Parity Obligations" means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

"Remaining Redevelopment Plan Limit" means the applicable time limit to collect tax increment under the Redevelopment Plan.

"Representation Letter" means the letter or letters of representation from the Agency to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Agency, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Repurchase Agreement" means a repurchase agreement with (a) a primary dealer on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's and Moody's, or (b) a bank rated "A" or above by Standard & Poor's and Moody's, that require the delivery of investments described in clauses (1) and (2) of the definition of Permitted Investments. The term of the Repurchase Agreement may be up to 30 days. Such collateral must be delivered to the Agency, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities). The value of such collateral must equal 104% of the amount of cash transferred by the Agency or the Trustee to the counterparty under the repurchase agreement, plus accrued interest. If the value of securities held as collateral is at any time below 104% of the value of the cash transferred by the Agency or the Trustee, then additional cash and/or acceptable securities must be provided. Notwithstanding the foregoing, if the securities provided as collateral are investments described in clauses (3)(b) or (3)(c) of the definition of Permitted Investments, then the value of such collateral must equal 105%. A legal opinion must be delivered to the Agency to the effect that the Repurchase Agreement meets the guidelines under state law for legal investment of public funds.

"Reserve Financial Guaranty" means a policy of municipal bond insurance or surety bond issued by a financial guaranty insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor's and Moody's and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company. The Series 2007B Surety Bond is a Reserve Financial Guaranty for the Series 2007B Bonds.

"Reserve Financial Guaranty Provider" means an issuer of a Reserve Financial Guaranty. The Series 2007B Bond Insurer is a Reserve Financial Guaranty Provider for the Series 2007B Bonds.

"Richmond Joint Powers Financing Authority" means the joint powers financing authority created pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto, and its successors and assigns in accordance with the Indenture.

"Rule 15c2-12" means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Senior Bonds" means the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, 2000B (Taxable).

"Senior Debt Service" means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Senior Bonds, assuming that all Outstanding Senior Bonds that are Serial Obligations are retired as scheduled and that all Outstanding Senior Bonds that are Term Obligations are redeemed or paid from sinking fund installments as scheduled, (b) that portion of the principal amount of all Outstanding Senior Bonds that are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations which are Senior Bonds that are Serial Obligations, (c) that portion of the principal amount of all Outstanding Senior Bonds that are Term Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon), including the Accreted Value of any Capital Appreciation Obligations which are Senior Bonds that are Term Obligations, and (d) amounts, if any, required to be deposited in the Reserve Account (as defined in the Senior Obligations) established under the Senior Obligations with respect to Senior Bonds and any other amounts required to be deposited in the Accounts (as defined in the Senior Obligations) established under the Senior Obligations.

"Senior Obligations" means the Obligations of the Pre-2004 Loan Agreement, dated as of November 1, 2000, between the Agency and the Authority (the "2000 Senior Loan Agreement"), but only with respect to the payments thereunder required to be paid from amounts allocable to the housing fund in respect of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2000B (Taxable).

"Serial Obligations" means Obligations for which no Sinking Fund Installments are established.

"Serial Parity Obligations" means Serial Obligations which are Parity Obligations.

"Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

"Series 2004 Parity Obligations" means the obligations under the Loan Agreement (Housing), dated as of October 1, 2004, between the Agency and the Authority, which secure the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004A (Taxable) and all of the Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Tax-Exempt).

"Sinking Fund Account" means the account by that name in the Special Fund established pursuant to the Indenture.

"Sinking Fund Installment" means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the Agency from the Subordinate Pledged Tax Revenues to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

"Special Fund" means the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund established pursuant to the Indenture.

"Standard & Poor's" means Standard & Poor's Rating Services and any successor entity rating Parity Obligations at the request of the Agency.

"State" means the State of California.

"Subordinated Obligation" means any Obligation which is expressly made subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations and which complies with the provisions of the Indenture.

"Supplemental Indenture" means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Agency and the Trustee in accordance with the Indenture.

"Tax Certificate" means a certificate relating to the requirements of the Code signed on behalf of the Agency and delivered in connection with the issuance of a Series of Bonds.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Tender Indebtedness" means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the Agency, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

"Termination Payment" means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

"Term Obligations" means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

"Term Parity Obligations" means Term Obligations which are Parity Obligations.

"2007 Series B Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated as of July 1, 2007, of the Agency, relating to the Series 2007B Bonds, as the same may be amended and supplemented.

"2007 Series B Coverage Reserve Requirement" means the amount required to be deposited and maintained in the 2007 Series B Coverage Reserve Subaccount pursuant to the Indenture.

"2007 Series B Coverage Reserve Termination Date" means the date on which the Agency files with the Trustee (with a copy to the Series 2007B Bond Insurer) a Certificate of an Independent Redevelopment Consultant showing that if the assessed value in each of the component sub-areas constituting the Project Area were to decline by 20% from the most recent equalized assessment roll value of the County of Contra Costa, the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Certificate, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax

increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area expected to be received in the current Fiscal Year and in each Fiscal Year thereafter shall be in an amount equal to at least 100% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations and Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law; provided, that for the purposes of the calculations required by the Housing Indenture, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Housing Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

"Variable Rate Indebtedness" means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

## THE HOUSING INDENTURE

### Authorization of Bonds

The Housing Indenture provides certain terms and conditions upon which Bonds of the Agency to be designated as "Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas)" may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Housing Indenture is not limited except as may hereafter be provided in the Indenture or as may be limited by law.

### Bonds Constitute Limited Obligations

The Bonds shall not constitute a charge against the general credit of the Agency but shall constitute and evidence limited obligations of the Agency payable as to principal, Redemption Price, if any, and interest solely from the Subordinate Pledged Tax Revenues and the other funds pledged therefor under the Indenture and, with respect to any particular Series of Bonds, from such other sources as shall be specified in the Supplemental Indenture authorizing the issuance of such Series. The Purchase Price for the Bonds of any Series which are Tender Indebtedness shall be payable from such sources as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of this paragraph shall not preclude the payment or redemption of Bonds, at the election of the Agency, from any other legally available funds.

### Indenture to Constitute Contract

In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who shall own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond, and unless otherwise provided in the Supplemental Indenture authorizing such Bond, the provisions of the State Constitution, the Law and any general laws of the State applicable to such Bond, shall be deemed to be and shall constitute a contract between the Agency and the Owner of such Bond.

**General Provisions for Issuance of Bonds**

(a) All (but not less than all) the Bonds of each Series shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Agency or upon its order, but only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(1) An executed counterpart of the Indenture, as amended to the date of the initial delivery of such Series of Bonds, and an executed counterpart of the Supplemental Indenture authorizing the issuance of such Series of Bonds, which Supplemental Indenture shall specify: (i) the sources of payment for the Bonds of such Series other than the Subordinate Pledged Tax Revenues, if any; (ii) the Series designation of such Bonds; (iii) the authorized principal amount of the Bonds of such Series; (iv) the purposes for which such Series of Bonds are being issued, which shall be one of the purposes specified in the provisions of the Indenture described below under the captions "—Additional Bonds" and "—Refunding Bonds"; (v) the date or manner of determining the date of the Bonds of such Series; (vi) the maturity date or dates of the Bonds of such Series and the principal amount of the Bonds of such Series maturing on each such maturity date; (vii) which, if any, of the Bonds of such Series shall constitute Serial Obligations and which, if any, shall constitute Term Obligations; (viii) the interest rate or rates on the Bonds of such Series or the manner of determining such interest rate or rates; (ix) the Interest Payment Dates for the Bonds of such Series or the manner of establishing such Interest Payment Dates; (x) the Authorized Denominations of the Bonds of such Series; (xi) the Redemption Price or Prices, if any, and, subject to the provisions of the Indenture, the redemption terms for the Bonds of such Series; (xii) the Sinking Fund Installments, if any, for the Bonds of such Series which constitute Term Obligations, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for the Bonds of such Series; (xiii) if any of the Bonds of such Series constitute Tender Indebtedness, the terms and conditions, including Purchase Price, for the exercise by the Owners or Beneficial Owners of such Bonds of the purchase and extension options granted with respect to such Bonds and the terms and conditions, including Purchase Price, upon which the Bonds of such Series shall be subject to mandatory tender for purchase; (xiv) if the Bonds of such Series are not to be Book-Entry Bonds, a statement to such effect; (xv) the application of the proceeds of the sale of such Series of Bonds including the amount, if any, to be deposited in the funds and accounts under the Indenture; (xvi) the forms of the Bonds of such Series and of the certificate of authentication thereon; and (xvii) the appropriate funds and accounts, if any, relating to such Series of Bonds established under such Supplemental Indenture;

(2) an Opinion of Bond Counsel, dated the date of the initial delivery of such Series of Bonds, to the effect that the Indenture, as amended to such date, as supplemented by the Supplemental Indenture authorizing the issuance of such Series of Bonds, constitutes the valid and binding obligations of the Agency;

(3) With respect to any Additional Bonds, the Trustee shall have received the certificate referred to in the provisions of the Indenture described below under the captions "—Refunding Bonds" or "—Conditions to Issuance of Parity Obligations," as applicable;

(4) With respect to any Refunding Bonds which are not Crossover Refunding Obligations, the Trustee shall have received a copy of the Opinion of Bond Counsel required below in paragraph (b) under the caption "—Refunding Bonds," or with respect to Refunding Bonds constituting Crossover Refunding Obligations, the Accountant's Certificate and Crossover Escrow Instructions required by paragraph (c) under the caption "—Refunding Bonds," as applicable; and

(5) Such further documents, moneys and securities as are required by the applicable provisions of the Indenture or of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to the Indenture.

**Additional Bonds**

Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for any purpose permitted by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan. Additional Bonds may be issued in a principal amount sufficient to pay such costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture.

**Refunding Bonds**

(a) Subject to the provisions of the Indenture described below under the caption "—Conditions to Issuance of Parity Obligations," one or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds" and except as otherwise provided in the following paragraph with respect to Refunding Bonds constituting Crossover Refunding Obligations) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) A Series of Refunding Bonds which constitute Crossover Refunding Obligations shall be authenticated and delivered by the Trustee upon the receipt of the Trustee (in addition to the documents required by the provisions of the Indenture described above under the caption "—General Provisions for Issuance of Bonds") of: (i) an Accountant's Certificate to the effect that the moneys scheduled to be available in the applicable Crossover Refunding Escrow are sufficient to pay the applicable Crossover Escrow Requirements when due; and (ii) a copy of the Crossover Escrow Instructions relating to such Series of Refunding Bonds and the Parity Obligations to be refunded.

(d) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

**Conditions to Issuance of Parity Obligations**

(a) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Obligations, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case specified by an Authorized Agency Representative; (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; (iii) the Agency has received a Rating Confirmation from each Rating Agency with respect to such Qualified Swap Agreement; and (iv) the prior written consent of each Credit Provider, whose consent is required by a Supplemental Indenture or a Credit Support Agreement, is obtained with respect to the Qualified Swap Agreement.

(b) The Agency may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in paragraph (e) below are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the Agency has provided to the Trustee a certificate showing that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations, such Refunding Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues is not greater than the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans if such Refunding Bonds were not issued.

(c) Without regard to subparagraph (e) below, the Agency may issue the Bonds and may enter into a Qualified Swap Agreement with respect to all or a portion of the Bonds.

(d) Without regard to subparagraph (e) below, the Agency may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(e) The Agency may, at any time and from time to time, issue any Additional Parity Obligations, provided the Agency obtains or provides a certificate or certificates, prepared by the Agency or at the Agency's option by a Consultant, showing that the Tax Revenues (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture or other Issuing Instrument providing for the issuance of such Additional Parity Obligations, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Additional Parity Obligations are Outstanding shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and such Additional Parity Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

For the purposes of the issuance of Additional Parity Obligations, Outstanding Parity Obligations shall not include any Bonds the proceeds of which are deposited in an escrow fund held by a escrow agent, provided that the Supplemental Indenture authorizing issuance of such Bonds shall provide that: (i) such proceeds shall be deposited or invested with or secured by an institution rated "AA" or higher by Standard & Poor's and "Aa" or higher by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues expected to be received in the current Fiscal Year and in each Fiscal Year thereafter in which such Bonds are Outstanding (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the transfer from said escrow fund, but taking into account the reductions in Tax Revenues resulting from the expiration of the Agency's authority to collect tax increment revenue under the Redevelopment Plan and the Law with respect to sub-areas of the Project Area) shall be in an amount equal to at least 140% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations (exclusive of disqualified Bonds described in the Indenture), Senior Obligations and such Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) such Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Subordinate Pledged Tax Revenues and secured by a lien and charge on Subordinate Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Parity Obligations theretofore issued under the Indenture or other Issuing Instrument will be Outstanding.

**Conditions of Issuance of Subordinated Obligations**

(a) The Agency may, at any time or from time to time, issue Subordinated Obligations without satisfying the requirements of paragraph (e) above under the caption "Refunding Bonds" for any purpose permitted

by the Law and the Redevelopment Plan in connection with the Project, including, without limitation, the financing of costs of the Project (or for making reimbursements to the Agency for such costs theretofore paid by it) as permitted by the Law and the Redevelopment Plan or the refunding of any Subordinated Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinated Obligations shall be payable out of amounts of the Subordinate Pledged Tax Revenues as may from time to time be available therefor, provided that any such payment shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinated Obligations.

(b) The indenture or other instrument authorizing the issuance of Subordinated Obligations shall contain provisions (which shall be binding on all owners of such Subordinated Obligations) not more favorable to the owners of such Subordinated Obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Agency or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Agency, whether or not involving insolvency or bankruptcy, the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations, including Termination Payments.

(2) In the event that any Subordinated Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Parity Obligations Outstanding at the time such Subordinated Obligation so becomes due and payable because of such event of default, shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations before the owners of such Subordinated Obligation are entitled to receive any accelerated payment from Subordinate Pledged Tax Revenues with respect to such Subordinated Obligation. For purposes of this subdivision (2), a Termination Payment shall not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all Outstanding Parity Obligations shall be entitled to receive payment in full in cash of all principal and interest on all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinated Obligations are entitled to receive, subject to the provisions of (5) below, any payment from the Subordinate Pledged Tax Revenues with respect to the Subordinated Obligations.

(4) No Bondowner or other owner of Outstanding Parity Obligations shall be prejudiced in his right to enforce subordination of the Subordinated Obligations by any act or failure to act on the part of the Agency or the Trustee.

(5) The Subordinated Obligations may provide that the provisions (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinated Obligations on the other hand, and that nothing therein shall impair, as between the Agency and the owners of the Subordinated Obligations, the obligation of the Agency, which may be unconditional and absolute, to pay to the owners of such Subordinated Obligations the principal thereof and premium, if any, and interest thereon and Net Payments in accordance with their terms, nor shall anything therein prevent the owners of the Subordinated Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Subordinate Pledged Tax Revenues otherwise payable or deliverable to the owners of the Subordinated Obligations; and the Subordinated Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinated Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with such trustee, fiscal agent or

paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinated Obligations may have such rank or priority with respect to any other Subordinated Obligations as may be provided in the indenture or other instrument, authorizing the issuance or incurrence, or securing of such Subordinated Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

*Credit Provider Bonds.* Subject only to the provisions of the Indenture described above under the caption "—Bonds Constitute Special Obligations," notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as shall be specified in the applicable Credit Support Agreement.

*Limitation on Issuance of Senior Bonds.* The Agency covenants that so long as any Parity Obligations are Outstanding, the Agency shall not issue any additional (including any refunding) Senior Bonds under the Senior Obligations or other debt which is payable on a parity with the Senior Bonds and on a priority basis to any Parity Obligations.

**Establishment of Funds and Application Thereof**

*Pledge of Subordinate Pledged Tax Revenues. Subject to the provisions of the Indenture* permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of all the Outstanding Bonds and Parity Obligations, including without limitation Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including without limitation Credit Provider Bonds, and the Indenture, the Agency irrevocably grants a lien on and a security interest in, and pledges, the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee, to the Trustee for the benefit of the Owners of the Outstanding Bonds, including without limitation Credit Provider Bonds, and any Parity Obligations, including without limitation Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. This lien on and security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture shall constitute a first pledge of and charge and lien upon the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of any of the Subordinate Pledged Tax Revenues or such money in the Special Fund or in the funds or accounts so specified and provided for in the Indenture, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Subordinate Pledged Tax Revenues and such money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture and without the need for any physical delivery, recordation, filing or further act.

*Funds. To ensure the payment when due and payable, whether at maturity or upon* redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

(a) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Special Fund (the "Special Fund"), comprised of an Interest Account, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the Richmond Community Redevelopment Agency Subordinate Housing Set-Aside Tax Allocation Bonds (Merged Project Areas) Redemption Fund (the "Redemption Fund").

*Receipt and Deposit of Subordinate Pledged Tax Revenues.* After the Agency has made all required deposits of Tax Revenues in the Funds and Accounts (as defined in the Senior Obligations) established under the Senior Obligations, the Agency shall transfer all Subordinate Pledged Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided that the Agency shall not be obligated to deposit in the Special Fund in any Fiscal Year an amount of Subordinate Pledged Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture. Any Subordinate Pledged Tax Revenues received during any Fiscal Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Fund Account and the Debt Service Reserve Account in such Fiscal Year and the next succeeding Fiscal Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Parity Obligations as provided in the Indenture.

The Agency covenants and agrees that all Subordinate Pledged Tax Revenues deposited in the Special Fund will be accounted for through, and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinate Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

*Special Fund.* (a) All moneys in the Special Fund shall be set-aside by the Trustee in each Fiscal Year when and as received in the following respective special accounts within the Special Fund; provided, however, that all receipts and payments made to the Agency pursuant to a Qualified Swap Agreement, and if so provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds, and constituting Subordinate Pledged Tax Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(1) Interest Account. The Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein equals the aggregate amount of the Debt Service constituting interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates and on all other outstanding Parity Obligations on interest payment dates thereof in such Fiscal Year and the next succeeding Fiscal Year. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant to Qualified Swap Agreements entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues. In addition, the Trustee shall deposit in the Interest Account all receipts and payments made to the Agency pursuant a Qualified Swap Agreement, and to the extent provided in a Supplemental Indenture, all receipts and payments made to the Agency pursuant to other Public Finance Contracts entered into in connection with any Bonds or other Parity Obligations and constituting Subordinate Pledged Tax Revenues.

For purposes of determining the amount of money to be set aside from the Special Fund and deposited in the Interest Account pursuant to the Indenture, the determination of the amount the Debt Service constituting interest becoming due and payable on all Outstanding Bonds and on all other outstanding Parity Obligations shall be subject to the Debt Service Adjustments and Assumptions; provided, however, that, if and to the extent that all or a portion of the Outstanding Bonds or the other outstanding Parity Obligations are the subject of a Qualified Swap Agreement, the amount to be deposited in the Interest Account with respect to such Bonds or other Parity Obligations shall be an amount equal to the aggregate amount of Agency Swap Payments plus the Basis Differential Amount becoming due and payable in such Fiscal Year and the next succeeding Fiscal Year.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and the other Parity Obligations, including Net Payments, as the same shall become due and payable.

(2) Principal Account. The Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds and all other outstanding Parity Obligations which are Serial Obligations in such Fiscal Year and the next succeeding Fiscal Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds and other outstanding Parity Obligations which are Serial Obligations as they shall become due and payable.

(3) Sinking Fund Account. The Trustee shall set aside from the Special Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds and sinking fund installments becoming due and payable with respect to all other outstanding Parity Obligations which are Term Obligations in such Fiscal Year and the next succeeding Fiscal Year. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds and other outstanding Parity Obligations which are Term Obligations in accordance with the Supplemental Indenture authorizing such Bonds or other outstanding Parity Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the Agency are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Agency to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Agency may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Agency's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied.

(4) Debt Service Reserve Account.

(i) The Trustee shall set aside from the Special Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Trustee shall also set aside from the Special Fund and deposit in the debt service reserve account established under an Issuing Instrument for any other Parity Obligation an amount of money equal to the debt service reserve requirement for such Parity Obligations then outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Subordinate Pledged Tax Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Subordinate Pledged Tax Revenues. No deposit need be made in the Debt Service Reserve Account or the debt serve reserve account for such other Parity Obligations so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding or the debt service reserve requirement for such Parity Obligations then outstanding, as applicable. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Agency Swap Payment is due, the amount in the applicable account in the Special Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Agency Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Special Fund, is sufficient to pay in full all of the Outstanding

Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Special Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Agency Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the Indenture, the Agency may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Agency deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Agency.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty," the Agency shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(vi) To the extent the Agency elects to have the Trustee establish and maintain a separate account in the Debt Service Reserve Account for a particular Series of Bonds pursuant to a Supplemental Indenture, these provisions regarding the Debt Service Reserve Account shall not apply to such Series of Bonds.

(5) Surplus. After making the deposits required in paragraphs (1) through (4) above, in any Fiscal Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Agency to be used for any lawful purpose of the Agency.

(b) In the event that on any date upon which the Agency is to make a payment from Subordinate Pledged Tax Revenues pursuant to paragraphs (1), (2) and/or (3) of paragraph (a) above and the amount of available

Subordinate Pledged Tax Revenues is not sufficient to make such payment, then the Agency shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Agency is to make a payment or deposit from Subordinate Pledged Tax Revenues pursuant to paragraph (4) of paragraph (a) above and the amount of available Subordinate Pledged Tax Revenues is not sufficient to make such payment or deposit, then the Agency, after making the payments required by paragraphs (1), (2) and/or (3) of paragraph (a) above, shall apply the available Subordinate Pledged Tax Revenues to the payments required by paragraph (4) of paragraph (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Special Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds or on the other Parity Obligations. In the event that any principal of, Redemption Price or interest on, any Bond or on any other Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Special Fund with respect to such Bond or other Parity Obligation, and any such amounts transferred by the Trustee from the Special Fund to a Paying Agent for such Bond or other Parity Obligation pursuant to the Indenture, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

*Redemption Fund.* From the moneys paid by the Agency, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this paragraph, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this paragraph, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

*Depositories.* The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes of the Indenture.

Deposits.

All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the Agency, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Agency and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by any Fiduciary shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Fiduciary is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this paragraph for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with a Fiduciary shall be credited to the particular Fund to which such moneys belong.

*Investment of Certain Funds.* Moneys held in the Special Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in "Permitted Investments" which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (1), (2), (3), (4), (5), (6) and (7) of the definition of "Permitted Investments" which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Agency Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Agency Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in the provisions of the Indenture described under this caption "—Investment of Certain Funds," invest such moneys in the money market funds described in clause (f) of the definition of "Permitted Investments."

Except as otherwise provided in a Supplemental indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, any Fiduciary may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

*Sale of Investments.* Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Agency so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund

and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

**Covenants**

*Compliance with Indenture.* The Agency shall punctually pay the Bonds and the other Parity Obligations in strict conformity with the terms of the Indenture and the Bonds and other Parity Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any *force majeure*, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

*Against Encumbrances.* The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Pledged Tax Revenues, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Subordinate Pledged Tax Revenues on a basis which is: (i) except for the Senior Bonds, in any manner prior or superior to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; (ii) except for Parity Obligations with respect to the Subordinate Pledged Tax Revenues, in any manner on a parity with the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture; or (iii) except for Subordinated Obligations, in any manner subordinate to the lien on, pledge of and security interest in the Subordinate Pledged Tax Revenues securing the Outstanding Bonds pursuant to the Indenture.

*Extension or Funding of Claims for Interest.* In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Parity Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

*Payment of Claims.* The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Subordinate Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds and other Parity Obligations; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

*Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the Bonds and other Parity Obligations and the rights of the Owners and providers or owners of other Parity Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

*Payment of Taxes and Other Charges.* Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues

therefrom, when the same shall become due; provided that nothing in the Indenture contained shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

*Financing the Project.* The Agency will commence the financing or refinancing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

*Taxation of Leased Property.* Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as tax increment revenues.

*Disposition of Property in Project Area.* The Agency will not authorize the disposition of any real property in the Project Area that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses), if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall cause the amount of projected Tax Revenues expected to be received in the succeeding Fiscal Year (based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of such determination) to be less 125% of the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law.

*Amendment of Redevelopment Plan.* If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds), a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will continue to meet the debt service coverage requirements set forth in the Indenture, the Agency may adopt such amendment. If the Consultant's Report concludes that the effect of such proposed amendment on Tax Revenues is such that the Combined Adjusted Annual Debt Service on all then Outstanding Parity Obligations, Senior Obligations and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law will not continue to meet the debt service coverage requirements set forth in the Indenture, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Consultant's Report and shall have no duty to verify the information or statements set forth therein.

*Subordinate Pledged Tax Revenues.* The Agency shall comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds), including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Contra Costa County.

*Further Assurances.* The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds and providers or owners of other Parity Obligations of the rights and benefits provided in the Indenture.

*Tax Covenants.* The Agency covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on any Tax-Exempt Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the Agency shall comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Tax-Exempt Bonds.

In the event that at any time the Agency is of the opinion that, in order to comply with its obligations under paragraph (a) below, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the Agency shall so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(a) Notwithstanding any provisions under this "—Tax Covenants," if the Agency shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this caption "—Tax Covenants" or a Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds under Section 103 of the Code, the Agency and the Trustee may conclusively rely on such opinion in complying with the requirements of under this caption "—Tax Covenants" and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

(b) The covenants under this caption under this "—Tax Covenants" shall survive payment in full or discharge of the Tax-Exempt Bonds.

*Agreements with Other Taxing Agencies.* So long as any Bonds or other Parity Obligations are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency's right to receive Subordinate Pledged Tax Revenues (excluding receipts and payments made to the Agency pursuant to Public Finance Contracts entered into in connection with any Bonds) under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the Indenture, the Bonds and any other Parity Obligations.

*Annual Review of Subordinate Pledged Tax Revenues.* The Agency covenants that it will annually review (i) the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, and (ii) future cumulative annual Debt Service. Once it has been determined that during the next succeeding Fiscal Year, the total amount of Subordinate Pledged Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation equals 110% of future cumulative annual Debt Service on Parity Obligations, then the Agency shall deposit all future Subordinate Pledged Tax Revenues into a special escrow account exclusively for the payment of interest on and principal of and redemption premiums, if any, on the Parity Obligations, until such time as the cumulative tax increment limitation, certified to the Agency by an Independent Redevelopment Consultant in a Consultant's Report, is amended to increase the limitation such that the remaining available Subordinated Pledged Tax Revenues will be in excess of 110% of future cumulative annual Debt Service on Parity Obligations (at which time all amounts deposited in such special escrow account may be released).

The Agency shall annually, not later than _____ 1 (commencing _____ 1, 20__), transmit to the Trustee, the Credit Provider, if any, and each provider or owner of Parity Obligations (other than Owners of Bonds) a statement setting forth the calculation required by the above paragraph, including (a) remaining annual Debt Service on Parity Obligations, (b) remaining tax increment under the then-current limit, (c) the amount of Subordinate Pledged Tax Revenues accepted during the period covered by the statement, and (d) the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Parity Obligations.

**Amendments to Indenture**

*Amendments Permitted.* (a) Subject to the provisions of paragraph (d) below, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Agency and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider

whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of paragraph (d) below are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this caption "Amendments to Indenture." No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Agency and the Trustee for any of the purposes described under this caption "—Amendments Permitted," the Agency shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the Agency shall have received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Agency and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider shall be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of paragraph (f) below, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Indenture and any Supplemental Indenture and the rights and obligations of the Agency, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Agency and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement shall not materially, adversely affect the

interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Agency contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Indenture or a Supplemental Indenture, as the Agency may deem necessary or desirable; or

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(d) Notwithstanding anything to the contrary under this caption "Amendments to Indenture," the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in paragraph (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of paragraph (a) above is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series shall have the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to this caption "Amendments to Indenture," then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of paragraph (b) above, references to the Owners of such Bonds shall be deemed to be to the applicable Credit Provider.

(f) For purposes of this caption "Amendments to Indenture," it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it shall be sufficient for purposes of this caption "Amendments to Indenture," if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(g) Notwithstanding anything to the contrary contained in this caption "Amendments to Indenture," if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

*Effect of Supplemental Indenture.* Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Fiduciaries and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such

Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Agency and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Agency and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Agency or the Trustee from entering into the same or to enjoin or restrain the Agency or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

*Bonds Owned by Agency.* For purposes of the Indenture, Bonds owned or held by or for the account of the Agency, or any funds of the Agency, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the Agency shall furnish the Trustee a certificate of an Authorized Agency Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

*Notation on Bonds.* Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Agency and the Trustee as in the Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Agency as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

*Consent of Providers or Owners of Parity Obligations.* The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of Parity Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Parity Obligations.

**Concerning the Fiduciaries**

*Trustee; Acceptance of Duties.* The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Indenture to the Agency and by such execution and delivery the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties.

(a) The Agency appoints the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series.

(b) Each Paying Agent other than the Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof.

(c) The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the Agency for the payment of the principal and any applicable Redemption Price of the Bonds.

*Resignation of Trustee.* The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Agency, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect until a successor shall have been appointed in accordance with the Indenture.

*Removal of Trustee.* The Trustee may be removed (i) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee or (ii) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency or (iii) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Agency Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the Indenture.

**Defeasance**

*Payment of Bonds.* (a) If the Agency shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Agency under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of paragraph (b) below, the Indenture, and the pledge of and lien on the Subordinate Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for under the Indenture and all covenants, agreements and obligations of the Agency contained in the Indenture, shall cease and terminate and shall be completely discharged and satisfied and the Agency shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Agency all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances on the Indenture pursuant to the Indenture and shall execute such documents as may be reasonably required by the Agency in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Agency of the covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Agency, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Agency.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Parity Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Agency, the Trustee and the providers and owners of such Parity Obligations.

*Bonds Deemed Paid.* Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds." Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this paragraph shall be in an

Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture described above under "—Payment of Bonds" (except that the obligations under the Indenture set forth in paragraph (b) thereof and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Agency shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Agency shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this paragraph with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this paragraph with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this paragraph and notify the Owner of such Bond that such Bond must be surrendered as provided in the Indenture. The receipt of any notice required by this paragraph shall not be a condition precedent to any Bond being deemed paid in accordance with this paragraph and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this paragraph. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this paragraph, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Agency Representative, including a transfer to the Agency free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Agency Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Agency from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Agency shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

*Defeasance of Portion of Bond.* If there shall be deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

*Discharge of Liability on Bonds.* Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture described above under the captions "—Payment of Bonds" or "—Bonds Deemed Paid," as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Agency in respect of such Bonds shall cease, terminate and be completely discharged, except that the Agency shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

**Events of Default; Remedies**

*Events of Default.* Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or other Parity Obligations (excluding Termination Payments), when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Agency in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds contained or in any other Issuing Instrument of other Parity Obligations or in the other Parity Obligations contained (excluding any covenants, agreements or conditions with respect to the payment of Termination Payments payable by the Agency), and such default shall continue for a period of 120 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the relevant Credit Provider or by the Owners of not less than 10% in principal amount of the Bonds Outstanding or to the Agency and to the Trustee by the trustee, or owner or holder of not less than 10% in principal amount of, the other Parity Obligations; provided, however, if such default is such that it can be corrected by the Agency but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Agency within 30 days of the Agency's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) an Event of Bankruptcy shall have occurred and be continuing with respect to the Agency.

Accounting and Examination of Records After Default.

(a) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Agency shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

(b) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the Agency, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Subordinate Pledged Tax Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Subordinate Pledged Tax Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Subordinate Pledged Tax Revenues with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee shall apply all Subordinate Pledged Tax Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the provisions of the Indenture described under the caption "Events of Default; Remedies" which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Fiduciaries and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations then due and payable; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the principal and redemption price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Third: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause with respect to all Qualified Swap Agreements, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fourth: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences.

Fifth: Subject to the provisions of paragraph (b) above under the caption "—Conditions of Issuance of Subordinated Obligations," to the payment of amounts due with respect to outstanding Subordinated Obligations (other than Termination Payments) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinated Obligations have been issued; provided that that in the event the amount of Subordinate Pledged Tax Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Subordinate Pledged Tax Revenues to the payments of amounts due with respect to all Subordinated Obligations ratably (based on the respective amounts to be paid), without any discrimination on preferences except as otherwise provided in the Issuing Instruments pursuant to which such Subordinated Obligations have been issued.

(c) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, and all other sums payable for the account of the Agency under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which shall then be payable, shall be

paid for by the account of the Agency, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Subordinate Pledged Tax Revenues in the hands of the Trustee (except Subordinate Pledged Tax Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Agency and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Agency and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(d) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

*Right to Accelerate Upon Default.* Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and shall, at the direction of each Credit Provider whose is permitted to so direct the Trustee under a Supplemental Indenture or a Credit Support Agreement or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Agency), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, by written notice to the Agency, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

*Appointment of Receiver.* If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Subordinate Pledged Tax Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings.

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Subordinate Pledged Tax Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Agency as if the Agency were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

(c) Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(d) Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the Agency, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in paragraph (b) below, and subject to rights of the relevant Credit Provider to direct remedies as set forth in the Indenture or in any Supplemental Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Subordinate Pledged Tax Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

*Remedies Not Exclusive.* No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this paragraph have been satisfied with respect to such subsequent Event of Default.

*Notice of Default.* The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

**Miscellaneous**

*Credit Providers.* (a) Except as limited by the provisions of the Indenture relating to amendments, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument shall at any time for any reason cease to be valid and binding on the Credit Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Indenture, any Supplemental Indenture and/or such Credit Support Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of a Credit Provider.

(c) All provisions in the Indenture relating to the rights of a Credit Provider shall be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

*Reserve Financial Guaranty Providers.* All provisions under the Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Reserve Financial Guaranty Provider were not mentioned therein (a) during any period during which there is a default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty or (b) after the applicable Reserve Financial Guaranty shall at any time for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Indenture, any Supplemental Indenture, any Reserve Financial Guaranty shall continue in full force and effect. The foregoing shall not affect any other rights of a Reserve Financial Guaranty Provider.

All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider shall be of no force and effect if there is no Reserve Financial Guaranty Provider in effect issued by such Reserve Financial

Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider Credit Provider under the Reserve Financial Guaranty have been paid.

*No Recourse on Bonds.* Neither the members of the Agency nor the officers or employees of the Agency shall be individually liable on the Bonds or in respect of any undertakings by the Agency under the Indenture, any Supplemental Indenture or any Bond.

*Unclaimed Moneys.* Anything in the Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, shall, at the written request of an Authorized Agency Representative be repaid by such Trustee, Escrow Agent or Paying Agent to the Agency, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee, the Escrow Agent or the Paying Agent, as applicable, shall, at the expense of the Agency, mail, postage prepaid to the Owners of such Bonds, at the last address, if any, appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the Agency.

*Governing Law.* The Indenture and each Bond shall be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

**Bond Insurance Provisions**

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Series 2007B Bond Insurer's consent shall be required, in lieu of the consent of the Owners of the Bonds, when such consent is required for the following purposes: (i) execution and delivery of any Supplemental Indenture (except that no consent of the Series 2007B Bond Insurer shall be required with respect to the issuance of or the entering into additional Parity Obligations or Subordinated Obligations in accordance with the terms and conditions of the Indenture), or (ii) amendment of the Indenture, including, but not limited to, any change in the definition of Permitted Investments.

To the extent the consent of a Credit Provider is provided for, or a Credit Provider is permitted to direct the remedies pursued by the Trustee contained, in the Indenture, the consent or direction, as appropriate, of the Series 2007B Bond Insurer shall be required or permitted in connection with the remedies pursued by the Trustee upon the occurrence of an Event of a Default under the Indenture, including, to the extent provided: (i) the right to accelerate the principal of the Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2007B Bond Insurer shall also be entitled to approve all waivers of events of default.

The Series 2007B Bond Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Series 2007B Bonds for the purposes of all approvals, consents, waivers, institution of any action and the direction of all remedies; provided, however, that the Series 2007B Bond Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Bonds with respect to any amendment or supplement to the Indenture which seeks to amend or supplement the Indenture to extend the maturity of or reduce the amount of interest on or principal of any Bond or otherwise alter or impair the obligation of the Agency to pay principal or interest at the time and place and at the rate and in the currency provided therein.

In the event of any reorganization or liquidation relating to the Agency, the Series 2007B Bond Insurer shall have the right to vote with respect to such reorganization or liquidation on behalf of all Owners of the Outstanding Series 2007B Bonds absent a default by the Series 2007B Bond Insurer under the Series 2007B Bond Insurance Policy insuring the Series 2007B Bonds. To the extent permitted by law, any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2007B Bond Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the 2007 Series Bonds shall be paid by the Series 2007B Bond Insurer pursuant to the Series 2007B Bond Insurance Policy, the Series 2007B Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and the pledge of the Pledged Tax Revenues and other assets pledged under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the 2007 Series Bonds shall continue to exist and shall run to the benefit of the Series 2007B Bond Insurer, and the Series 2007B Bond Insurer shall be subrogated to the rights of such Owners of the 2007 Series Bonds.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners of the Series 2007B Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the such Owners as if there were no Series 2007B Bond Insurance Policy.

To the extent that the Indenture confers upon or gives or grants to the Series 2007B Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2007B Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

The Agency covenants an agrees that it shall reimburse the Series 2007B Bond Insurer for any amounts paid under the Series 2007B Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2007B Bond Insurer until payment thereof in full by the Agency, payable at the Series 2007B Bond Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2007B Bond Insurer in respect of interest on the 2007 Series Bonds. Such payment obligation shall be payable on demand and on a parity with and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the 2007 Series Bonds. For the purposes of the foregoing, "Series 2007B Bond Insurer Payment Rate" means the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Series Bonds and (ii) the per annum rate of interest, publicly announced from time to time by Citibank, N.A. ("Citibank") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Citibank) plus 3 percent. The Series 2007B Bond Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Citibank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Series 2007B Bond Insurer shall specify.

The Trustee (or Paying Agent) may be removed at any time, at the request of the Series 2007B Bond Insurer, for any breach of the Trust set forth in the Indenture.

The Agency shall obtain the consent of the Series 2007B Bond Insurer prior to issuing or incurring any Variable Rate Indebtedness constituting Parity Obligations other than the Series 2007B Bonds; provided, however, that the Agency may issue or incur such Variable Rate Indebtedness in accordance with the Indenture without the consent of the 2007 Series A Bond Insurer if:

(i) such Variable Rate Indebtedness constitutes Hedged Bonds, and

(1) upon entering into the applicable Qualified Swap Agreement, the counter party to such Qualified Swap Agreement shall be rated at least "AA-" by S&P or "Aa3" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007 A Bond Insurer;

(2) such Qualified Swap Agreement shall provide that if the counter party's or counter party's guarantor's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Swap Agreement shall be collateralized with Eligible Collateral;

(3) the failure of the Agency to pay any termination payments payable by the Agency under such Qualified Swap Agreement shall not be cross-defaulted with such Hedged Bonds;

(4) any termination payments payable by the Agency under such Qualified Swap Agreement shall be subordinate and junior in right of payment from the Subordinate Pledged Tax Revenues to the payment of Parity Obligations; and

(5) if applicable, the Credit Provider providing any Credit Support Instrument shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the Series 2007B Bond Insurer, and such Credit Support Instrument and any related Credit Support Agreement shall not contain any provision requiring an acceleration of such Hedged Bonds upon any default under such Credit Support Instrument or related Credit Support Agreement; or

(ii) such Variable Rate Indebtedness constitutes Capped Bonds, and

(1) upon entering into the applicable Qualified Cap, the counter party to the applicable Qualified Cap shall be rated at least "AA" by S&P or "Aa2" by Moody's or have an equivalent rating determined by a nationally-recognized ratings service acceptable to the 2007 Series A Bond Insurer, and

(2) such Qualified Cap shall provide that if the counter party's rating is downgraded to "A" or below by S&P or "A2" or below by Moody's and the Agency's exposure to a potential early termination payment owed by the counter party to the Agency is $5,000,000 or greater, the counter party's obligations to make such payment under such Qualified Cap shall be collateralized with Eligible Collateral.

## APPENDIX D

## BOOK ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may with to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. if less than all of the Bonds within an issue are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of each Participant and not of DTC nor its nominee, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and accreted value, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Agency or the Trustee, or the Authority or the Agency may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered and will be subject to the registration, transfer and exchange provisions provided for in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Agency believe to be reliable, but the Authority and the Agency take no responsibility for the accuracy thereof.

# APPENDIX E

# FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX E

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of July 1, 2007, is executed and delivered by the Richmond Community Redevelopment Agency (the "Agency"), Union Bank of California, N.A., as trustee (the "Trustee") and MuniFinancial, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Agency of its $_____ aggregate principal amount of Subordinate Non-Housing Tax Allocation Bonds, Series 2007A (the "Series 2007A Bonds") and its $_____ aggregate principal amount of Subordinate Housing Tax Allocation Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds"). The Bonds are being issued pursuant to the Resolution of the Agency, adopted June 5, 2007, and pursuant to an Indenture, dated as of July 1, 2007 (the "Master Non-Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Non-Housing Indenture," and together with the Master Non-Housing Indenture, the "Non-Housing Indenture") between the Agency and the Trustee. The Series 2007B Bonds are being issued pursuant to an Indenture, dated as of July 1, 2007 (the "Master Housing Indenture"), by and between the Agency and the Trustee, as supplemented by a First Supplemental Indenture of Trust (the "First Supplemental Housing Indenture," and together with the Master Housing Indenture, the "Housing Indenture") between the Agency and the Trustee (the Housing Indenture and the Non-Housing Indenture collectively referred to herein as the "Indentures"). The Agency, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency, the Dissemination Agent and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indentures, between the Agency and the Authority, described in the Official Statement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean with respect to the Agency, the Chief Executive Officer of the Agency or the Redevelopment Agency Director or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" means MuniFinancial, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the Agency, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month. or fifty-two week period hereafter

selected by the Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at www.sec.gov/consumer/nrmsir.htm

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

"Underwriter" means the original underwriter of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's Fiscal Year (presently June 30), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the basic financial statements of the Agency may be submitted from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if it is not available by that date. If the Fiscal Year changes for the Agency, the Agency shall give notice of such change in the same manner as for a Listed Event under Section 5(f) hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Agency shall provide its Annual Report to the Dissemination Agency and Trustee. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the Agency, the Dissemination Agent shall notify the Agency of such failure to receive the report. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address. of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Authority or the Agency, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement dated June __, 2007, relating to the Bonds):

(a) Basic financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's basic financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the basic financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Annual Debt Service Requirements, but only in the event of any unscheduled redemption, defeasance or new issue;

2. Table 2 - Historical Taxable Values and Tax Increment Revenues – Merged Project Area;

3. Table 3 - Ten Major Property Tax Assessees – Merged Project Area;

4. Table 4 and Table 5 - Projection of Incremental Tax Revenue – Merged Project Area; and

5. Table 6, Table 7, Table 8 and Table 9 – Projected Debt Service Coverage.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the security;

7. Modifications to rights of security holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds;

11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee shall contact the Authority and the Agency at their notice addresses in the Indenture, inform them of the event, and request that the Agency or the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency or the Authority shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material, the Agency shall notify the Dissemination Agent promptly in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event; and

(g) The Dissemination Agent may rely conclusively on an opinion of counsel that the Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

Section 7. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty (30) days written notice to the Agency and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have not duty to prepare any information report nor shall the Dissemination Agent by responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Agency which does not impose any greater duties nor any greater risk of liability on the Trustee or Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Agency agrees to indemnify and hold harmless the Dissemination Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which any of them may incur arising out of or in the exercise of performance of their respective powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with an agreed upon schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall both be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party under this Disclosure Agreement. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper on any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee not the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

Section 13. California Law. This Disclosure Agreement shall be constructed and governed in accordance with the laws of the State of California.

Section 14. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

| | |
|---|---|
| To the Agency: | Richmond Community Redevelopment Agency<br>1401 Marina Way South<br>Richmond, California 94804<br>Attention: Executive Director<br>Fax: (510) 231-3047<br><br>(with copies to the City Attorney) |
| To the Trustee: | Union Bank of California, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department<br>Fax: (510) 273-2492 |
| To the Dissemination Agent: | MuniFinancial<br>27368 Via Industria, Suite 110<br>Temecula, CA 92590<br>Attention: Manager<br>Fax: (951) 587-3510 |

The Trustee, the Dissemination Agent and the Agency may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee, the Dissemination Agent or the Agency may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Redevelopment Agency Director

UNION BANK OF CALIFORNIA, N.A.

By:_____
Authorized Officer

MUNIFINANCIAL

By:_____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | Richmond Community Redevelopment Agency |
| Name of Bond Issue: | Richmond Community Redevelopment Agency<br>Subordinate Non-Housing Tax Allocation Bonds, Series 2007A and<br>Subordinate Housing Tax Allocation Revenue Bonds, Series 2007B |
| Date of Issuance: | _____, 2007 |

NOTICE IS HEREBY GIVEN that the Richmond Community Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of July 1, 2007 executed by the Agency for the benefit of the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated:

RICHMOND COMMUNITY
REDEVELOPMENT AGENCY

By:_____
Its:_____

cc: Richmond Community Redevelopment Agency
1401 Marina Way South
Richmond, California 94804

Union Bank of California, N.A.
350 California Street, 11th Floor
San Francisco, California 94104

MuniFinancial
27368 Via Industria, Suite 110
Temecula, CA 92590

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX F

# PROPOSED FORMS OF BOND COUNSEL FINAL OPINIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX F**

[PROPOSED FORM OF FINAL OPINION OF BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Tax Allocation Bonds (Merged Project Areas)
2007 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $_____ aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), 2007 Series A (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an Indenture of Trust, dated as of June 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of June 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the

factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

[PROPOSED FORM OF FINAL OPINION BOND COUNSEL]

[Date of Closing]

Richmond Community Redevelopment Agency
Richmond, California

Richmond Community Redevelopment Agency
Subordinate Housing Set Aside Tax Allocation Bonds (Taxable)
(Merged Project Areas)
2007 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Richmond Community Redevelopment Agency (the "Agency") in connection with the issuance of $_____ aggregate principal amount of bonds designated Richmond Community Redevelopment Agency Subordinate Housing Set Aside Tax Allocation Bonds (Taxable) (Merged Project Areas), 2007 Series B (the "Bonds") issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and an indenture of Trust, dated as of June 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee") (the "Master Indenture"), and as supplemented by a First Supplemental Indenture of Trust, dated as of June 1, 2007 (the "First Supplemental Indenture", and together with the Master Indenture, the "Indenture"), by and between the Agency and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Agency, the Trustee, and others, certificates of the Agency, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any

parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Agency.

2. The Master Indenture and the First Supplemental Indenture have been duly executed and delivered by, and constitute the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Subordinate Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Richmond or the State of California and said city and said state are not liable for the payment thereof.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

# APPENDIX G

# SPECIMEN FINANCIAL GUARANTY INSURANCE POLICIES

[THIS PAGE INTENTIONALLY LEFT BLANK]

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation
## Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**
**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

President

SPECIMEN

Attest:

Assistant Secretary

STD-R-CA-7
01/05

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX H

# FISCAL CONSULTANT REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FA FRASER & ASSOCIATES

**Redevelopment and Financial Consulting**

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

# FISCAL CONSULTANT REPORT

*Richmond Community Redevelopment Agency*

Merged Project Area

May 2007

## Section A - Introduction

The Richmond Community Redevelopment Agency (Agency) is considering the issuance of Tax Allocation Bonds (Bonds). The Bonds will be secured through two Indentures (Indentures). The Agency intends to pledge a portion of the tax increment revenues generated from the Merged Project Area (Project Area) to repayment of the Non-Housing Bonds. The Housing Bonds will be repaid from the housing set-aside revenues of the Project Area.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Loans. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plans and the financial and time limits of the nine constituent Project Areas that comprise the Merged Project Area. A brief description of the systems and procedures used by Contra Costa County for the allocation of tax increment is also included in this section.
C. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the historical trends in values and revenues and the Top Ten Assessees in the Project Area.
D. **Assessment Appeals**: The findings from a review of the records of the Contra Costa County Assessment Appeals Board are included in this section.
E. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
F. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
G. **Other Issues**: This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information and data which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Contra Costa County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

## Section B - General Information

*The Merged Project Area*

The Merged Project Area consists of nine formerly "independent" redevelopment project areas (Constituent Project Areas). The Constituent Project Areas were merged together for financing purposes on July 13, 1999 and include:

- No. 1-A Eastshore
- No. 1-C Potrero
- No. 3-A Galvin
- No. 6-A Harbor Gate
- No. 8-A Hensley
- No. 10-A Downtown
- No. 10-B Nevin Center
- No. 11-A Harbour
- No. 12-A North Richmond

As part of the merger process, territory was also added to Project Areas 1-A, 6-A, 8-A, 10-A, 10-B, and 11-A (1999 Amendment Areas). In July, 2005, additional territory was added to Project 10-B (2005 Amendment Area).

Also as part of the merger amendment, a combined tax increment limit of $521,400,000 was established. The combined limit applies to tax increment revenues received after the effective date of the ordinance (December 22, 1986) that established the limit in each of the Constituent Projects. The combined tax increment limit does not apply to the 2000 or 2005 Amendment Area, nor to the territory that was added to Project 6-A on June 26, 1995. Those areas were added after the implementation of various changes to the Community Redevelopment Law (CRL) that were triggered by legislation commonly referred to as AB 1290. AB 1290 eliminated the need to establish a cumulative tax increment limit for new redevelopment project areas or areas that were added to existing project areas. Through the 2005-06 fiscal year, it is estimated that the Agency has received $156.8 million in tax increment for the portions of the Merged Project Area subject to the tax increment limit. Based on the projections of tax increment shown in this Report, which are based on a 2 percent trend in real property values, the cumulative tax increment limit will be reached in 2025-26.

The Agency also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is $250 million and applies to the entire Merged Project Area except for the 2005 Amendment Area, which has a separate bonded debt limit of $150 million. As of June 30, 2006 the Agency had approximately $91.5 million in bonds outstanding under the $250 million limit, and no bonds outstanding for the 2005 Amendment Area.

AB 1290 also required that redevelopment project areas include limitations on the time period to incur and repay debt with tax increment and on the period when a redevelopment plan can be effective. Initially, a project area's time limits were the shorter of: 1) the limits contained in the redevelopment plan; or 2) the maximum time limits included in AB 1290. Subsequent legislation (AB 1342), allowed a project area's time limits to be extended to the maximum allowed by AB 1290. The Agency used this legislation to extend certain time limits for the Constituent Project Areas. The extension of the time limits has had the impact of triggering statutory pass through payments, as discussed further in Section F of this report. The Agency further extended the date to incur debt in Project Area 11-A to January 1, 2014 as part of the amendment that merged the Constituent Project Areas.

Legislation approved in 2001 (SB 211) allowed a redevelopment agency to delete the debt incurrence date from its redevelopment plan for those project areas that were adopted prior to December 31, 1993. The Agency removed the debt incurrence limit for certain Constituent Project Areas in September 2003, as shown in the table on the following page. The required amount of AB 1290 pass through payments was increased for the 10A Downtown Project due to the SB 211 amendment. Payments were triggered in 2004-05, which is six years sooner than would be required if the SB 211 amendment were not processed.

The Agency has also amended the Redevelopment Plan as authorized by SB 1045 and is in the process of amending the Plan per SB 1096. SB 1045 and SB 1096 required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend certain of their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by up to three years. The time limits for Plan Effectiveness and Debt Repayment shown below include these time extensions.

| Constituent Project Area | Primary Land Use | Acres | Original Adoption | Last Date to Incur Debt | Time Limit for Plan | Time Limit For TI Receipt |
|---|---|---|---|---|---|---|
| 1A Eastshore | Residential | 123 | 8/26/1957 | Deleted | 1/1/2012 | 1/1/2022 |
| 1C Potrero | Residential | 150 | 4/4/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 3A Galvin | Industrial | 95 | 2/28/1955 | Deleted | 1/1/2012 | 1/1/2022 |
| 6A Harbor Gate (Original) | Industrial | 118 | 11/8/1954 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (Original) | Industrial | 90.5 | 5/29/1960 | Deleted | 1/1/2012 | 1/1/2022 |
| 8A Hensley (1980 Area) | Industrial | 23.5 | 3/31/1980 | Deleted | 3/31/2023 | 3/31/2033 |
| 10A Downtown | Comm. | 107 | 5/23/1966 | Deleted | 1/1/2012 | 1/1/2022 |
| 10B Nevin | Residential | 17 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 11A Harbour | Comm. | 964 | 6/09/1975 | Deleted | 6/9/2018 | 6/9/2028 |
| 12A North Richmond | Comm. | 19 | 9/18/1972 | Deleted | 9/18/2015 | 9/18/2025 |
| 6A Harbor Gate (1995 Area) | Industrial | 616 | 6/26/1995 | 7/26/2015 | 7/26/2026 | 7/26/2041 |
| 1A Eastshore (1999 Area) | Comm. | 14 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 6A Harbor Gate (1999 Area) | Industrial | 16 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 8A Hensley (1999 Area) | Residential | 887 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10A Downtown (1999 Area) | Comm. | 174 | 7/13/1999 | 7/13/2019 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (1999 Area) | Comm. | 10 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 11A Harbour (1999 Area) | Comm. | 131 | 7/13/1999 | 7/13/2020 | 7/13/2030 | 7/13/2045 |
| 10B Nevin (2005 Area) | Resid. / Indus. | 1,783 | 7/12/2005 | 7/12/2025 | 7/12/2035 | 7/12/2040 |

Shown below are land uses by taxable value as of 2006-07 for the Project Area.

**LAND USE CATEGORY SUMMARY 2006-07**

| | Parcels | Taxable Value | Percent of Total |
|---|---|---|---|
| Residential | 8,893 | 1,956,917,564 | 60.39% |
| Commercial | 577 | 234,205,456 | 7.23% |
| Industrial | 446 | 694,265,958 | 21.42% |
| Vacant Land | 789 | 62,668,389 | 1.93% |
| Other | 642 | 60,268,238 | 1.86% |
| Total Secured | 11,347 | 3,008,325,605 | 92.83% |
| Unsecured / State Assessed | | 232,339,133 | 7.17% |
| **Grand Total** | | **3,240,664,738** | **100.00%** |

*Property Tax Allocation Procedures*

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and

property tax refunds will impact the amount of tax increment received. For these reasons, Contra Costa County's procedures for the allocation of property taxes and tax increment were evaluated.

Contra Costa County calculates tax increment to redevelopment project areas by applying the current year secured tax rate to secured and unsecured incremental taxable value. The County also allocates unitary revenue to redevelopment projects. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County also does not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Section F of this Report includes a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues.

## Section D – Taxable Values and Historical Revenues

*Taxable Values*

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of it full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) values state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation.

Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454 (Chapter 921, Statues of 1986). State-assessed non-unitary values and railroad values are reported at the local tax rate area level.

*Project Area Value Trends*

Table 1 shows the historical taxable values for the Merged Project Area over the past five years. Taxable values have increased from $1.3 billion in 2002-03 to $3.2 billion in 2006-07. The value for 2006-07 includes, for the first time, the value for the 2005 Amendment Area that was added to Project 10-B. This has had the impact of overstating actual growth in the Project Area. For this reason, we have also included Table 1.1, which excludes the value for the 2005 Amendment Area for comparative purposes. Taxable values for the balance of the Project Area have increased from $1.2 billion in 2002-03 to $1.9 billion in 2006-07. The total percentage change was 62.22 percent over the five-year period. The average annual percentage change in values was 12.86 percent. The analysis below does not include growth that occurred in the 2005 Amendment Area, which is discussed separately.

Secured taxable values increased by approximately $705 million between 2002-03 and 2006-07, as shown on Table 1.1. New development added approximately $60 million. The major new development activity was the transfer of land and the construction of 132 housing units as part of the Olson Transit Village, which added $42 million in value.

Changes of ownership have played a significant role in the growth of assessed values during this period. In order to confirm the impact that changes of ownership have had, we analyzed ownership changes for those Constituent Projects that experienced the most rapid growth (Project 1-C, 6A 1995, 8A, 10A and 11A). Changes of ownership added a total of approximately $250 million in new value between 2002-03 and 2006-07. The top assessee in the Project Area, Lennar Emerald Marina Shores, acquired property in 2006-07, which added almost $89 million in new value. The number two assessee, Lennar Emerald Marina Bay LLC, converted 470 apartments into ownership condominium units. The sale of these units increased values by approximately $40 million as of 2006-07. The remaining value for the parcels that are shown on Table 2 (Ten Major Property Tax Assessees) for Lennar Emerald Marina Bay LLC reflects those that had not been sold as of January 1, 2005.

Smaller changes of ownership have also played a major role in the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over $75 million in new value was added from 305 separate changes of ownership. The average

value of the parcels that changed ownership went from $262,000 in 2004-05 to $509,000 in 2006-07.

The balance of growth on the secured roll can be attributed to the allowable 2 percent inflation factor, other new investment activity, and numerous changes of ownership that occurred in the other Constituent Projects.

Unsecured values increased by approximately $69.7 million between 2003-04 and 2006-07, as shown on Table 1.1. Most of this increase is attributable to the addition of personal property value for Foss Maritime Company in the amount of $34 million in Project 11A. Another $22.2 million is attributable to Kaiser Foundation Hospitals. Kaiser is leasing approximately 60,000 square feet of space, which is not a part of their main hospital site. Tenant improvements and the installation of equipment caused the increase in value. It should be noted that most of the other taxable value for Kaiser is currently on the secured roll and is largely exempt from taxation. Based on discussions with the Contra Costa County Assessor's Office, Kaiser has not filed for an exemption for the leased property for the last two years, and the Assessor suspects that the use (an optical lab) is not exempt from property taxes.

Secured values in Project 10-B (2005 Area) increased by $307.2 million between 2006-07 and the base year value in 2004-05. Smaller changes of ownership were the major reason for the overall increase in assessed values. Between 2004-05 and 2006-07, we were able to confirm that over $226 million in new value was added from 866 separate changes of ownership. The average value of the parcels that changed ownership went from $189,600 in 2004-05 to $450,700 in 2006-07.

A parcel verification was not performed as part of our analysis of taxable values.

*Historical Tax Increment Revenues*

Table 1 provides information on the historical receipt of tax increment revenues in the Merged Project Area. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends. On average, the Agency has received approximately 99.65 percent of the levy over the past four years for the Merged Project Area.

Supplemental property tax receipts are also shown on Table 1. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Supplemental property taxes have ranged from $843,229 in 2002-03 to $1,035,633 in 2005-06. When supplemental revenues are included, the Merged Project Area has received, on average, 105.51 percent of the levy.

*Top Ten Assessees*

The Top Ten Assessees in the Project Area are summarized on Table 2. Taxable value for the Top Ten Assessees represents 14.62 percent of the overall value of the entire Merged Project Area and 23.02 percent of the incremental value of the Merged Project Area.

## Section E – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. The review revealed two open appeals in the Merged Project Area, as shown on the table below.

| | Open Appeals | | | |
|---|---|---|---|---|
| Assessee | Current Roll Value | Applicants Value Opinion | Estimated Resolved (1) Value | Value Reduction |
| Hearst Corporation | $16,049,622 | $3,300,000 | $12,197,713 | $3,851,909 |
| Dicon Fiberoptics | 44,044,102 | 27,000,000 | 33,473,518 | 10,570,584 |
| Total | 60,093,724 | 30,300,000 | 45,671,230 | 14,422,494 |

(1) See text for assumptions.

There are three open appeals for two property owner, as shown above. The owners have requested reductions in value of $29.8 million. For purposes of the projections shown in Section F, we have estimated the potential impact of the open appeals based on success

factor ratios since 2003 in the Project Area. Over this time period, 95 appeals have been resolved. Seventy nine of these were either denied by the County or withdrawn by the property owner. Sixteen property owners were successful with their appeals. On average, reductions in value equaled 24 percent for the successful appeals. Based on this, we have assumed a 24 percent decrease in value for the open appeals. This would result in a reduction in future taxable values of $14.4 million. For purposes of the tax increment projections discussed in Section F and shown on Table 4, we have reduced taxable value for the impact of open appeals in the 2007-08 fiscal year.

Contra Costa County does not allocate refunds attributable to assessment appeals to redevelopment project areas. Therefore, we have not reduced tax increment revenues for the impact of refunds.

## Section F - Estimate of Current and Future Tax Increment Revenue

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to each Constituent Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues for its project areas on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Constituent Project Areas on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

*Current Year Revenues*

Projections of current year (2006-07) tax increment revenues are shown on Table 3. The values utilized are based on actual taxable values provided by Contra Costa County. It should be noted that Projects 3-A and 6-A are not eligible to receive tax increment revenue from either secured personal property or any type of unsecured value. As a result, the values reported by the County exclude $32.9 million in secured personal property and unsecured value attributable to these two Constituent Project Areas.

Tax increment generated from the application of the tax rate to incremental taxable value for 2006-2007 is estimated at $22,719,000 in the Merged Project Area. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2006-07 are based on the

actual tax rates reported by the County for 2006-07. The overall tax rate that we applied to total incremental taxable value equals $1.1485 per $100 of assessed value. The major portion of the debt service tax rate ($0.1400) is levied for pension obligations of the City of Richmond.

Unitary revenue for the Merged Project Area is estimated to equal $113,000 for the 2006-07 fiscal year. The estimates are based on the County's estimate of unitary revenues in each of the Constituent Project Areas for 2006-07.

*Projected Revenues*

Tables 4 and 4.1 show a projection of tax increment revenues. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Contra Costa County for 2006-07 (see "Current Year Revenues" above). For 2007-08 and future fiscal years, we have used a 2 percent factor for the entire Merged Project Area for purposes of the projections shown on Table 4. That reflects the factor which assessors have been directed to use by the SBE in preparing the 2007-08 tax roll. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years, the inflation factor has been less than 2 percent overall. The other property category of value has been held constant in the projections shown on Table 4. The projections of taxable values shown on Table 4.1 have been held constant.

In addition, we have increased real property values for the Anchor Cove townhouse development, which is currently under construction in the Harbour 11A Project. The development includes 128 townhouse units that are estimated to add taxable value to the 2007-08 through 2009-10 tax roll. New development value has only been added on Table 4.

Increases in real property values have been offset by the estimated impact of open assessment appeals. Appeals are estimated to reduce real property values by $14.4 million. Reductions have been reflected for 2007-08 in the projections shown on Table 4.

Tax increment has been estimated based on the application of the 2006-07 tax rate to the incremental taxable value of the Project Area. Debt service tax rates typically decline each year due to the growth of taxable values within the jurisdiction that levies the tax or as the debt is retired. Debt service tax rates are, in part, based on the rate levied for pension obligations for the City of Richmond, which equals $0.1400 per $100 of assessed value. That debt service tax rate is levied pursuant to Article XI of the City's Charter and Ordinance No. 9-99 adopted by the City Council on March 30, 1999. The levy of the tax rate does not have a specific ending date. Based on information provided by City staff, the tax rate has been levied at $0.1400 per $100 of assessed value since 1982-83. We

have confirmed that the rate has remained constant since 1991-92. The City also issued Pension Bonds in 1999 and 2005 that are secured by the Pension tax rate. The City is required pursuant to the Trust Agreement and Indenture of Trust to levy the tax rate through the final maturity of the Pension Bonds in January 2035. Data provided to us also shows that pension obligations are projected to require the levy of the full debt service tax rate in the future, even after the Pension Bonds are retired.

The East Bay Regional Park District also levies a debt service tax rate that equals $0.0085 in 2006-07. That tax rate will no longer be levied after 2020-21. We have assumed that the rate would decline by 10 percent per year for purposes of the projections shown on Table 4. We have not included the debt service tax rate for the East Bay Regional Park District on Table 4.1.

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 4 do not include post January 1, 1989 tax rates.

Unitary revenues shown in the projection are based on the actual 2006-07 unitary revenues reported for the Merged Project Areas, as provided by Contra Costa County. Unitary revenues have been held constant in the projection.

**Section G – Adjustments and Liens on Tax Increment**

The tax increment revenues of the Merged Project Area are subject to certain adjustments and liens, as described in this section. The resulting amount reflects the Available Tax Revenues, as defined in the Non-Housing Loan Agreement.

*Adjustments to Revenue*

One adjustment to tax increment revenues is for property tax administrative fees collected by Contra Costa County. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

*Housing Set-Aside*

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate-income housing programs. The housing set-aside deposit has been deducted from gross tax increment revenues to show estimated revenues that will be available to repay the Non-Housing Loan.

*Tax Sharing Payments*

Pursuant to 1994 legislation (AB 1290), the Agency is required to make payments to the affected taxing entities from the Merged Project Area. The payments are calculated

somewhat differently for the parts of the Merged Project Area that were adopted prior to AB 1290 (Pre-AB 1290) and the areas that were added after AB 1290 (6A Harbour Gate 1995 Area, and the 2000 & 2005 Amendment Areas).

The payments for the Pre-AB 1290 Constituent Project Areas are required because the financial and time limitations for the various Redevelopment Plans have been amended since AB 1290 was enacted. Payments of the pass through payments are only due on increases in tax increment revenues above levels received in certain years. These years are referred to as the "AB 1290 AV Base Year" and are different for the various Constituent Project Areas.

The table below shows, for each Pre-AB 1290 Constituent Project Area, the dates when AB 1290 pass through payments began. The table also shows the AB 1290 AV Base Year, which represents the date after which the Agency owes pass through payments on any tax increment increases.

| Constituent Project Area | AB 1290 AV Base | FY Pass Thru Begins |
|---|---|---|
| 1A Eastshore | 1990-91 | 1999-00 |
| 1C Potrero | 1999-00 | 2000-01 |
| 3A Galvin | 1991-92 | 1999-00 |
| 6A Harbor Gate (Original) | 1990-91 | 1995-96 |
| 8A Hensley (Original) | 1993-94 | 1999-00 |
| 8A Hensley (1980 Area) | 1993-94 | 1999-00 |
| 10A Downtown | 2003-04 | 2004-05 |
| 10B Nevin | 2002-03 | 2003-04 |
| 12A North Richmond | 2002-03 | 2003-04 |
| 11 A Harbour | 2003-04 | 2004-05 |

For the 1995 Harbour Gate Area and the 1999 & 2005 Amendment Areas, pass through payments are due based on the total tax increment generated in those areas. The pass through payments for all Projects are based on a three tier formula, and payments are made after the Agency's deposit to its housing set-aside. The table below shows the calculation methodology.

| Tier | Payment Required |
|---|---|
| Tier 1 | Pre-AB 1290 Projects: 20% of the gross tax increment attributable to increases above the AB 1290 AV Base assessed values during the remaining term the Agency receives tax increment.<br><br>Post-AB 1290 Projects: 20% of total tax increment during the entire term the Agency receives tax increment. |

| | |
|---|---|
| Tier 2 | Pre-AB 1290 Projects: Beginning in the 11th year after the AB 1290 pass through was triggered, an additional payment equal to 16.8% of the gross tax increment attributable to growth above levels in the 10th year after the AB 1290 pass through was triggered.<br><br>Post-AB 1290 Projects: Beginning in the 11th year, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels. |
| Tier 3 | Pre-AB 1290 Projects: No Tier 3 payments are due since the Project Areas will no longer be receiving tax increment in the year in which this tier is triggered.<br><br>Post-AB 1290 Projects: Beginning in the 31st year, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels. |

We have noted two inconsistencies in the County's calculation of the AB 1290 pass through payments, including:

1. The County does not include any tax increment generated from debt service tax rates in the tax sharing payment amount.
2. Payments should have begun for Project 10-A and 11-A in 2004-05.

We estimate that the County method understated tax sharing payments by approximately $378,000 for 2005-06. For purposes of the tax sharing payment amounts shown on Tables 4, we have corrected for each of these problems and shown the amounts that we estimate are owed.

*Senior Harbour Debt Service*

The Agency issued tax allocation bonds in 1991 and 1998 that have a senior lien on certain tax increment revenues generated in the Harbour 11A Project. Maximum Annual Debt Service on those bond issues has been deducted in order to determine Post-2004 Pledged Tax Revenues.

*Senior Merged Area Debt Service*

The pledge of tax increment revenues under the Non-Housing Loan Agreement are subordinate to the Senior Merged Area Debt Service. The Senior Merged Area Debt Service includes payments due under the Agency's 2003 Loan Agreement and the Pre-2004 Loan Agreement. However, coverage is calculated on the basis of Available Tax Revenues, which includes the Senior Merged Area Debt Service, so we have not reduced the tax increment revenues shown on Table 4 or Table 4.1 for the Senior Merged Area Debt Service.

## Section H – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

*Educational Revenue Augmentation Fund (ERAF)*

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift $75 million of tax increment revenues to ERAF in 2002-03, $135 million in 2003-04 and $250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. There is no current requirement for an ERAF payment in 2006-07 or any future fiscal year. The Agency reports that prior ERAF contributions were made in the amounts shown in the table below:

| **Fiscal Year** | |
|---|---|
| 2002-03 | $360,210 |
| 2003-04 | $635,637 |
| 2004-05 | $1,204,003 |
| 2005-06 | $1,167,821 |

Table 1
Richmond Redevelopment Agency
Merged Project Area

## Historical Taxable Values and Tax Increment Revenues (1)

| Description | 2002/03 | 2003/04 | % Change | 2004/05 | % Change | 2005-06 | % Change | 2006-07 (3) | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Secured | 1 192,561,854 | 1,385,790,906 | 16 20% | 1,451,720,473 | 4 76% | 1,614,074,406 | 11 18% | 3,013,490,161 | 86 70% |
| Utility Roll | 1,905,016 | 5,995,261 | 0 00% | 3,279,581 | 0 00% | 3,492,968 | 0 00% | 4,373,439 | 0 00% |
| Unsecured | 99,591,242 | 128,938,843 | 29 47% | 163,232,370 | 26 60% | 145,455,195 | -10 89% | 216,205,943 | 48 64% |
| TOTAL VALUE | 1,294,058,112 | 1,520,725,010 | 17 52% | 1,618,232,424 | 6 41% | 1,763,022,569 | 8 95% | 3,234,069,543 | 83 44% |
| Base Year Value | 281,225,459 | 426,143,038 | | 426,143,038 | | 426,143,038 | | 1,256,027,439 | |
| Incremental Value | 1,012,832,653 | 1,094,581,972 | | 1,192,089,386 | | 1,336,879,531 | | 1,978,042,104 | |
| Tax Increment Levy | 11,613,183 | 12,541,764 | | 13,658,942 | | 15,317,926 | | 22,719,173 | |
| Unitary Revenue | 114,595 | 119,645 | | 116,546 | | 123,702 | | 113,069 | |
| Less Pass Through (3) | (178,245) | (239,420) | | (324,149) | | (434,072) | | 0 | |
| Less Admin Fee (3) | (126,128) | (113,439) | | (129,843) | | (131,967) | | 0 | |
| TOTAL LEVY | $11,423,405 | $12,308,550 | | $13,321,496 | | $14,875,589 | | $22,832,242 | |
| Actual Receipts, less Supplemental Revenue | 11,426,101 | 12,301,423 | | 13,240,987 | | 14,777,511 | | N/A | |
| PERCENTAGE OF LEVY | 100 02% | 99 94% | | 99 40% | | 99 34% | | N/A | |
| Supplemental Revenues | 843,229 | 441,053 | | 723,246 | | 1,035,633 | | N/A | |
| TOTAL RECEIPTS | 12,269,330 | 12,742,476 | | 13,964,233 | | 15,813,144 | | N/A | |
| PERCENTAGE OF LEVY | 107 41% | 103 53% | | 104 82% | | 106 30% | | N/A | |

| | |
|---|---|
| Total Percentage Assessed Value Change (2) | 36 24% |
| Average Percentage Assessed Value Change (2) | 10 86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99 65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105 51% |

(1) Includes the entire Merged Project Area
(2) Comparison between 2002-03 and 2005-06 The value for 2006-07 includes area added in 2005 (Area 10B) and overstates the growth Table 1 2 shows trend excluding Area 10B
(3) Actual amounts from County for 2006-07 not yet available

Table 1.1
Richmond Redevelopment Agency
Merged Project Area

## Historical Taxable Values and Tax Increment Revenues - Excluding Area 10B 2005 (1)

| Description | 2002/03 | 2003/04 | % Change | 2004/05 | % Change | 2005-06 | % Change | 2006-07 (3) | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Secured | 1,192,561,854 | 1,385,790,906 | 16.20% | 1,451,720,473 | 4.76% | 1,614,074,406 | 11.18% | 1,897,239,531 | 17.54% |
| Utility Roll | 1,905,016 | 5,995,261 | 0.00% | 3,279,581 | 0.00% | 3,492,968 | 0.00% | 3,331,217 | 0.00% |
| Unsecured | 99,591,242 | 128,938,843 | 29.47% | 163,232,370 | 26.60% | 145,455,195 | -10.89% | 198,682,615 | 36.59% |
| TOTAL VALUE | 1,294,058,112 | 1,520,725,010 | 17.52% | 1,618,232,424 | 6.41% | 1,763,022,569 | 8.95% | 2,099,253,363 | 19.07% |
| Base Year Value | 281,225,459 | 426,143,038 | | 426,143,038 | | 426,143,038 | | 428,675,534 | |
| Incremental Value | 1,012,832,653 | 1,094,581,972 | | 1,192,089,386 | | 1,336,879,531 | | 1,670,577,829 | |
| Tax Increment Levy | 11,613,183 | 12,541,764 | | 13,658,942 | | 15,317,926 | | 19,187,946 | |
| Unitary Revenue | 114,595 | 119,645 | | 116,546 | | 123,702 | | 113,069 | |
| Less Pass Through (2) | (178,245) | (239,420) | | (324,149) | | (434,072) | | 0 | |
| Less Admin Fee (2) | (126,128) | (113,439) | | (129,843) | | (131,967) | | 0 | |
| TOTAL LEVY | $11,423,405 | $12,308,550 | | $13,321,496 | | $14,875,589 | | $19,301,015 | |
| Actual Receipts, less Supplemental Revenue | 11,426,101 | 12,301,423 | | 13,240,987 | | 14,777,511 | | N/A | |
| PERCENTAGE OF LEVY | 100.02% | 99.94% | | 99.40% | | 99.34% | | N/A | |
| Supplemental Revenues | 843,229 | 441,053 | | 723,246 | | 1,035,633 | | N/A | |
| TOTAL RECEIPTS | 12,269,330 | 12,742,476 | | 13,964,233 | | 15,813,144 | | N/A | |
| PERCENTAGE OF LEVY | 107.41% | 103.53% | | 104.82% | | 106.30% | | N/A | |

| | |
|---|---|
| Total Percentage Assessed Value Change | 62.22% |
| Average Percentage Assessed Value Change | 12.86% |
| Average Receipts as a Percentage of Levy Without Supplementals | 99.65% |
| Average Receipts as a Percentage of Levy With Supplementals | 105.51% |

(1) Excludes Project 10B 2005 for comparative purposes.
(2) Actual amounts from County for 2006-07 not yet available.

Table 2
Richmond Redevelopment Agency
Merged Project Area

**TEN MAJOR PROPERTY TAX ASSESSEES**

| Assessee | Type of Use | Secured | Unsecured | 2006-07 Taxable Value (1) | % of Total Value (2) | % of Inc Value (2) |
|---|---|---|---|---|---|---|
| 1) Lennar Emerald Marina Shores | Residential | $156,726,225 | $175,000 | $156,901,225 | 4.85% | 7.93% |
| 2) Lennar Emerald Marina Bay LLC | Residential | 50,742,204 | 265,000 | 51,007,204 | 1.58% | 2.58% |
| 3) Cherokee Simeon Venture I LLC | Commercial | 44,987,470 | 0 | 44,987,470 | 1.39% | 1.39% |
| 4) Dicon Fiberoptics Inc. | Industrial | 44,044,102 | 0 | 44,044,102 | 1.36% | 2.23% |
| 5) Foss Maritime Company | Unsecured | 0 | 34,369,332 | 34,369,332 | 1.06% | 1.74% |
| 6) California Fats & Oils Inc. | Industrial | 34,095,361 | 0 | 34,095,361 | 1.05% | 1.72% |
| 7) Kaiser Foundation Hospital | Hospital | 8,595,430 | 24,573,551 | 33,168,981 | 1.03% | 1.68% |
| 8) BP West Coast Products | Industrial | 25,047,078 | 1,765,468 | 26,812,546 | 0.83% | 1.36% |
| 9) Tosco Corporation | Industrial | 26,346,985 | 365,273 | 26,712,258 | 0.83% | 1.35% |
| 10) GATX Terminals Corporation | Industrial | 20,694,977 | 0 | 20,694,977 | 0.64% | 1.05% |
| **Total Valuation** | | **$411,279,832** | **$61,513,624** | **$472,793,456** | **14.62%** | **23.02%** |

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2006-07 Project Area taxable value of $3,234,069,543 and incremental value of $1,978,042,104.

Table 3
Richmond Redevelopment Agency
Merged Project Area

**ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2006-07**

| | Taxable Value (1) |
|---|---|
| Local Secured | |
| Land | 1,250,477,444 |
| Improvements | 1,926,894,223 |
| Personal Property | 28,279,363 |
| Gross Local Secured | 3,205,651,030 |
| Exempt | 192,160,869 |
| Net Local Secured | 3,013,490,161 |
| State Assessed | 4,373,439 |
| Unsecured | |
| Land | 17,728,100 |
| Improvements | 61,709,994 |
| Personal Property | 146,042,973 |
| Total Unsecured | 225,481,067 |
| Exempt | 9,275,124 |
| Net Unsecured | 216,205,943 |
| Total Value | 3,234,069,543 |
| Base Year Taxable Value | 1,256,027,439 |
| Incremental Taxable Value | 1,978,042,104 |
| Tax Increment (2) | 22,719,173 |
| Unitary Tax Increment | 113,069 |
| **Total Tax Increment Revenue** | **22,832,242** |
| *Adjustments to Tax Increment Revenue:* | |
| Property Tax Administration Fees (3) | 205,605 |
| *Liens on Tax Increment* | |
| Housing Set-Aside (4) | 4,566,142 |
| AB 1290 Tax Sharing (5) | 2,311,294 |
| Senior Harbour Debt Service (6) | 2,336,563 |
| **Available Tax Revenues** | **$13,412,638** |

(1) Based on taxable values per Contra Costa County Auditor-Controller.
(2) Calculated based on the application of the total tax rate to incremental value.
(3) Estimated based on percentage that 2005-06 actual amount represented to total tax increment.
(4) Based on 20 percent of total tax increment revenue net of adjustments.
(5) Tax sharing payments per the provisions of AB 1290.
(6) Maximum annual debt service on Senior Harbour bonds.

Table 4
Richmond Redevelopment Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE**
**COMBINED PROJECT AREA**
(000's Omitted)

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1,256,027 | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set-Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior Harbour (8) Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 - 2007 | N/A | N/A | $3,064,649 | $169,421 | $3,234,070 | $1,978,042 | $22,718 | $113 | $22,831 | $206 | $4,566 | $2,311 | $15,748 | $2,337 | $13,411 |
| 2007 - 2008 | 3,111,231 | 16,000 | 3,127,231 | 169,421 | 3,296,651 | 2,040,624 | 23,419 | 113 | 23,532 | 212 | 4,706 | 2,468 | 16,146 | 2,337 | 13,809 |
| 2008 - 2009 | 3,189,775 | 22,400 | 3,212,175 | 169,421 | 3,381,596 | 2,125,568 | 24,378 | 113 | 24,491 | 220 | 4,898 | 2,667 | 16,705 | 2,337 | 14,369 |
| 2009 - 2010 | 3,276,419 | 25,600 | 3,302,019 | 169,421 | 3,471,439 | 2,215,412 | 25,393 | 113 | 25,506 | 230 | 5,101 | 2,877 | 17,298 | 2,337 | 14,961 |
| 2010 - 2011 | 3,368,059 | 0 | 3,368,059 | 169,421 | 3,537,480 | 2,281,452 | 26,136 | 113 | 26,249 | 236 | 5,250 | 3,039 | 17,724 | 2,337 | 15,387 |
| 2011 - 2012 | 3,435,420 | 0 | 3,435,420 | 169,421 | 3,604,841 | 2,348,813 | 26,894 | 113 | 27,007 | 243 | 5,401 | 3,225 | 18,137 | 2,337 | 15,801 |
| 2012 - 2013 | 3,504,129 | 0 | 3,504,129 | 169,421 | 3,673,549 | 2,417,522 | 27,669 | 113 | 27,782 | 250 | 5,556 | 3,416 | 18,560 | 2,337 | 16,223 |
| 2013 - 2014 | 3,574,211 | 0 | 3,574,211 | 169,421 | 3,743,632 | 2,487,604 | 28,460 | 113 | 28,573 | 257 | 5,715 | 3,610 | 18,991 | 2,337 | 16,655 |
| 2014 - 2015 | 3,645,695 | 0 | 3,645,695 | 169,421 | 3,815,116 | 2,559,089 | 29,267 | 113 | 29,380 | 265 | 5,876 | 3,813 | 19,427 | 2,337 | 17,090 |
| 2015 - 2016 | 3,718,609 | 0 | 3,718,609 | 169,421 | 3,888,030 | 2,632,002 | 30,092 | 113 | 30,204 | 272 | 6,041 | 4,065 | 19,826 | 2,337 | 17,490 |
| 2016 - 2017 | 3,792,981 | 0 | 3,792,981 | 169,421 | 3,962,402 | 2,706,375 | 30,933 | 113 | 31,046 | 280 | 6,209 | 4,323 | 20,234 | 2,337 | 17,898 |
| 2017 - 2018 | 3,868,841 | 0 | 3 868,841 | 169,421 | 4,038,262 | 2,782,234 | 31,792 | 113 | 31,905 | 287 | 6,381 | 4,638 | 20,599 | 2,337 | 18,262 |
| 2018 - 2019 | 3,946,218 | 0 | 3,946,218 | 169,421 | 4,115,639 | 2,859,611 | 32,668 | 113 | 32,781 | 295 | 6,556 | 4,959 | 20,971 | 2,337 | 18,634 |
| 2019 - 2020 | 4,025,142 | 0 | 4,025,142 | 169,421 | 4,194,563 | 2,938,535 | 33,563 | 113 | 33,676 | 303 | 6,735 | 5,286 | 21,351 | 2,337 | 19,014 |
| 2020 - 2021 | 4,105,645 | 0 | 4,105,645 | 169,421 | 4,275,066 | 3,019,038 | 34,476 | 113 | 34,589 | 311 | 6,918 | 5,620 | 21,739 | 2,337 | 19,402 |
| 2021 - 2022 | 3,559,661 | 0 | 3,559,661 | 142,097 | 3,701,758 | 2,484,194 | 28,320 | 65 | 28,385 | 256 | 5,677 | 5,012 | 17,441 | 2,337 | 15,104 |
| 2022 - 2023 | 3,630,854 | 0 | 3,630,854 | 142,097 | 3,772,951 | 2,555,387 | 29,131 | 65 | 29,197 | 263 | 5,839 | 5,311 | 17,784 | 2,337 | 15,447 |
| 2023 - 2024 | 3,703,471 | 0 | 3,703,471 | 142,097 | 3,845,568 | 2,628,004 | 29,959 | 65 | 30,025 | 270 | 6,005 | 5,615 | 18,134 | 0 | 18,134 |
| 2024 - 2025 (9) | 3,741,749 | 0 | 3 741,749 | 142,097 | 3,883,846 | 2,668,011 | 30,415 | 61 | 30,477 | 274 | 6,095 | 5,856 | 18,251 | 0 | 18,251 |
| 2025 - 2026 | 2,376,227 | 0 | 2 376,227 | 46,700 | 2,422,928 | 1,258,412 | 14,346 | 6 | 14,352 | 129 | 2,870 | 3,771 | 7,582 | 0 | 7,582 |
| 2026 - 2027 | 2,423,752 | 0 | 2 423,752 | 46,700 | 2,470,452 | 1,305,936 | 14,888 | 6 | 14,894 | 134 | 2,979 | 3,970 | 7,811 | 0 | 7,811 |
| 2027 - 2028 | 2,472,227 | 0 | 2,472,227 | 46,700 | 2,518,927 | 1,354,411 | 15,440 | 6 | 15,446 | 139 | 3,089 | 4,179 | 8,039 | 0 | 8,039 |
| 2028 - 2029 | 2,521,672 | 0 | 2,521,672 | 46,700 | 2,568,372 | 1,403,856 | 16,004 | 6 | 16,010 | 144 | 3,202 | 4,393 | 8,271 | 0 | 8,271 |
| 2029 - 2030 | 2,572,105 | 0 | 2 572,105 | 46,700 | 2,618,805 | 1,454,289 | 16,579 | 6 | 16,585 | 149 | 3,317 | 4,610 | 8,508 | 0 | 8,508 |
| 2030 - 2031 | 2,623,547 | 0 | 2 623,547 | 46,700 | 2,670,247 | 1,505,731 | 17,165 | 6 | 17,171 | 155 | 3,434 | 4,832 | 8,750 | 0 | 8,750 |
| 2031 - 2032 | 2,676,018 | 0 | 2,676,018 | 46,700 | 2,722,718 | 1,558,202 | 17,764 | 6 | 17,770 | 160 | 3,554 | 5,073 | 8,982 | 0 | 8,982 |
| 2032 - 2033 | 2,729,538 | 0 | 2,729,538 | 46,700 | 2,776,238 | 1,611,723 | 18,374 | 6 | 18,380 | 166 | 3,676 | 5,290 | 9,248 | 0 | 9,248 |
| 2033 - 2034 | 2,784,129 | 0 | 2,784,129 | 46,700 | 2,830,829 | 1,666,313 | 18,996 | 6 | 19,002 | 171 | 3,800 | 5,570 | 9,460 | 0 | 9,460 |
| 2034 - 2035 | 2,839,812 | 0 | 2,839,812 | 46,700 | 2,886,512 | 1,721,996 | 19,631 | 6 | 19,637 | 177 | 3,927 | 5,826 | 9,706 | 0 | 9,706 |
| 2035 - 2036 | 2,896,608 | 0 | 2,896,608 | 46,700 | 2,943,308 | 1,778,792 | 20,278 | 6 | 20,284 | 183 | 4,057 | 6,087 | 9,957 | 0 | 9,957 |
| 2036 - 2037 | 2,954,540 | 0 | 2,954,540 | 46,700 | 3,001,240 | 1,836,724 | 20,939 | 6 | 20,945 | 189 | 4,189 | 6,354 | 10,213 | 0 | 10,213 |

(1) Prior Year Real Property increased by 2 percent per year The value for 2007-08 has been reduced for open appeals
(2) Based on 128 unit Anchor Cove townhouse development
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property
(4) Based on the application of Project Area tax rates to the total incremental taxable value
(5) Based on amount reported by Contra Costs County for 2006-07
(6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06
(7) Tax sharing payments per AB 1290
(8) Maximum annual debt service on Senior Harbour bonds
(9) Reflects year in which tax increment limit is projected to be reached for a portion of the Project Area

Table 4 1
Richmond Redevelopment Agency
Merged Project Area

**PROJECTION OF INCREMENTAL TAX REVENUE**
**COMBINED PROJECT AREA**
(000's Omitted)

| Fiscal Year | Real (1) Property | New (2) Development | Total Real Property | Other (3) Property | Total Value | Value Over Base Of $1,256,027 | Tax (4) Increment | Unitary (5) Revenue | Total Tax Increment Revenue | Property Tax (6) Admin Fee | Housing Set-Aside | AB 1290 (7) Tax Sharing Payments | Net Tax Revenues | Senior Harbour (8) Debt Service | Available Tax Revenues |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 - 2007 | N/A | N/A | $3,064,649 | $169,421 | $3,234,070 | $1,978,042 | $22,550 | $113 | $22,663 | $204 | $4,533 | $2,294 | $15,632 | $2,337 | $13,295 |
| 2007 - 2008 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2008 - 2009 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2009 - 2010 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2010 - 2011 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2011 - 2012 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2012 - 2013 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2013 - 2014 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2014 - 2015 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2015 - 2016 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2016 - 2017 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2017 - 2018 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2018 - 2019 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2019 - 2020 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2020 - 2021 | 3,064,649 | 0 | 3,064,649 | 169,421 | 3,234,070 | 1,978,042 | 22,550 | 113 | 22,663 | 204 | 4,533 | 2,294 | 15,632 | 2,337 | 13,295 |
| 2021 - 2022 | 2,594,111 | 0 | 2,594,111 | 142,097 | 2,736,209 | 1,518,644 | 17,313 | 65 | 17,378 | 156 | 3,476 | 1,916 | 11,830 | 2,337 | 9,493 |
| 2022 - 2023 | 2,594,111 | 0 | 2,594,111 | 142,097 | 2,736,209 | 1,518,644 | 17,313 | 65 | 17,378 | 156 | 3,476 | 1,916 | 11,830 | 2,337 | 9,493 |
| 2023 - 2024 | 2,594,111 | 0 | 2,594,111 | 142,097 | 2,736,209 | 1,518,644 | 17,313 | 65 | 17,378 | 156 | 3,476 | 1,916 | 11,830 | 0 | 11,830 |
| 2024 - 2025 | 2,569,052 | 0 | 2,569,052 | 142,097 | 2,711,149 | 1,495,314 | 17,047 | 61 | 17,108 | 154 | 3,422 | 1,883 | 11,649 | 0 | 11,649 |
| 2025 - 2026 | 2,569,052 | 0 | 2,569,052 | 142,097 | 2,711,149 | 1,495,314 | 17,047 | 61 | 17,108 | 154 | 3,422 | 1,883 | 11,649 | 0 | 11,649 |
| 2026 - 2027 | 2,569,052 | 0 | 2,569,052 | 142,097 | 2,711,149 | 1,495,314 | 17,047 | 61 | 17,108 | 154 | 3,422 | 1,883 | 11,649 | 0 | 11,649 |
| 2027 - 2028 | 2,569,052 | 0 | 2,569,052 | 142,097 | 2,711,149 | 1,495,314 | 17,047 | 61 | 17,108 | 154 | 3,422 | 1,883 | 11,649 | 0 | 11,649 |
| 2028 - 2029 | 1,635,357 | 0 | 1,635,357 | 47,018 | 1,682,375 | 517,592 | 5,901 | 7 | 5,907 | 53 | 1,181 | 1,171 | 3,502 | 0 | 3,502 |
| 2029 - 2030 | 1,635,357 | 0 | 1,635,357 | 47,018 | 1,682,375 | 517,592 | 5,901 | 7 | 5,907 | 53 | 1,181 | 1,171 | 3,502 | 0 | 3,502 |
| 2030 - 2031 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513,300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2031 - 2032 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513,300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2032 - 2033 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513,300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2033 - 2034 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513 300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2034 - 2035 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513 300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2035 - 2036 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513,300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |
| 2036 - 2037 | 1,631,116 | 0 | 1,631,116 | 46,700 | 1,677,816 | 513,300 | 5,852 | 6 | 5,858 | 53 | 1,172 | 1,170 | 3,463 | 0 | 3,463 |

(1) Prior Year Real Property held constant
(2) No new development included in the projections
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property
(4) Based on the application of Project Area tax rates to the total incremental taxable value Excludes tax rate levied by East Bay Regional Park District
(5) Based on amount reported by Contra Costs County for 2006-07
(6) Property tax administration fees are based on 1 percent of tax increment, which is the percentage that such fees represented in 2005-06
(7) Tax sharing payments per AB 1290
(8) Maximum annual debt service on Senior Harbour bonds

[THIS PAGE INTENTIONALLY LEFT BLANK]

# APPENDIX I

## BASIC FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDING JUNE 30, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

# CITY OF RICHMOND
# REDEVELOPMENT AGENCY

## COMPONENT UNIT FINANCIAL STATEMENTS
## FOR YEAR ENDED
## JUNE 30, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

**RICHMOND REDEVELOPMENT AGENCY**
**Component Unit Financial Statements**
**For year ended June 30, 2006**

## Table of Contents


**Page**

**Independent Auditor's Report** ..... 1

**Management's Discussion and Analysis** ..... 3

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets ..... 12

Statement of Activities ..... 13

Fund Financial Statements:

Major Governmental Funds:

Balance Sheet ..... 16

Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 18

Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities ..... 20

Statement of Fiduciary Net Assets – Fiduciary Funds ..... 21

Notes to Component Unit Financial Statements ..... 23

**Required Supplemental Information:**

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual, General Fund ..... 44

Notes to Budgetary Comparison Schedule ..... 45

**Combining and Individual Fund Statements and Schedules:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 46

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 48

Statement of Changes in Assets and Liabilities – Agency Fund ..... 50

RICHMOND REDEVELOPMENT AGENCY
**Component Unit Financial Statements**
**For year ended June 30, 2006**

**Table of Contents**

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*** ..... 51

Schedule of Current Year Findings ..... 53

Status of Prior Year Findings ..... 54

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

## INDEPENDENT AUDITORS' REPORT

Members of the City of Richmond
Redevelopment Agency
Richmond, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the City of Richmond Redevelopment Agency, a component unit of the City of Richmond, for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the component unit financial statements referred to above present only the Agency and are not intended to present the financial position of the City of Richmond and the results of its operations in conformity with generally accepted accounting principles of the United States of America.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund of the City of Richmond Redevelopment Agency as of June 30, 2006 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Budget and Actual Statement for the General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the City of Richmond Redevelopment Agency. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Maze and Associates

December 15, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Richmond Community Redevelopment Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### USING THIS ANNUAL REPORT

This Annual Financial Report consists of the Financial Section, which includes Management's Discussion and Analysis (this part) as well as:

- The Basic Financial Statements, which include the Government-Wide and the Fund Financial Statements
- Notes to these financial statements
- Required Supplemental Information

The financial statements presented herein include all of the activities of the Richmond Community Redevelopment Agency of the City of Richmond (Agency) using the integrated approach as prescribed by GASB Statement No. 34.

### FINANCIAL HIGHLIGHTS

Blight eliminating, property enhancing and economic development projects financed and/or sponsored by the Agency during the year included:

- Project activities that will increase tax increment creation included the Terminal One, Northshore and Westshore residential projects, as well as the East Macdonald I-80 Shopping Center, Transit Village, 12th and Macdonald mixed-use development.
- Commenced construction on a $6.0 million Intermodal Station Building at the Transit Village to be completed in the first quarter of 2007.
- Completed the development documents and entitlements for the three commercial pads, approximately 15,000 square feet, on the west side of the Transit Village. Construction to commence in February 2007.
- Commenced design of the 800 space parking structure at the Transit Village to enable Phase II of the project to begin, including parcels now used as surface parking on the eastern portion of the BART station.
- Worked with the project developer to attract several new tenants to the Ford Assembly Building; approximately 80% of this 565,000 square foot building is now under lease.
- Completed the remediation of the Terminal One site, surpassing clean-up standards set by Department of Toxic Substances Control (DTSC).

- Facilitated the completion of the Terminal One project entitlements, clearing the way for site acquisition by the project developer and the development of approximately 320 condominium units on a former Brownfield site.

- Designed, bid and constructed the eastern segment of the Macdonald Avenue streetscape improvements from 39th Street to San Pablo Avenue at a cost of $3.4 million

- Completed 90% design drawings for Phase II of the Macdonald Avenue streetscape improvements, a 19 block segment from Garrard Boulevard to 19th Street.

- Drafted an RFP for circulation in early 2007 for the design of the remaining segments of the Macdonald Avenue streetscape improvements from 19th Street, through the Civic Center area and connecting at 41st Street.

- Completed the acquisition of all parcels for the mixed-used project by A.F. Evans, located at 12th and Macdonald Avenue in downtown Richmond, to include 237 for sale residential condominiums and 24,000 square feet of retail space.

- Completed the design of Phase I improvements of Harbour Way South from Hall Avenue to the shoreline and committed $800,000 in construction funds from the Agency for this effort. Project under construction and is scheduled for completion in April 2007.

- Executed a contract and transferred the property at 19th and Macdonald to a property owner relocated from the 12th and Macdonald Avenue mixed-use project site.

- Entered into 25 contracts to assist commercial property owners with exterior improvements to their businesses. Loans total $500,000

- Entered into the phase 1-A agreement for the design, entitlement, demolition and abatement work for the Civic Center Project. Work underway for the 1-A component with the 1-B work, approximately $78 million, scheduled to commence following City Council authorization in April 2007.

- Finalized property acquisitions and relocations as part of the 160,000 square foot Target project. Building demolition is underway with construction to commence in Spring 2007

- Initiated the design and community participation effort as part of the Nevin Park revitalization program.

- Finalizing site remediation of a 1.7 acre parcel in Marina Bay under the direction of DTSC. Remediation effort will allow site development as part of a Master Development Agreement. Clean up costs are expected to be approximately $950,000.

- Continuing to support road reconstruction program throughout the redevelopment project areas. $1 million spent in 2006.

**The Basic Financial Statements – Reporting the Agency as a Whole**

The Basic Financial Statements comprise the Government-Wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Government-Wide Financial Statements provide a longer-term view of the Agency's activities as a whole, and comprise the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets.* The *Statement of Net Assets* provides information about the financial position of the Agency as a whole, including all capital assets and long-term liabilities on the full accrual basis of accounting. Over time, increases or decreases in the Agency's net assets may serve as an indicator of the Agency's *overall* financial health. Other factors to consider are changes in the Agency's property tax base and the ability to meet debt service payments. The *Statement of Activities and Changes in Net Assets* provides information about all of the Agency's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the Agency's programs. The Statement of Activities explains in detail the changes in Net Assets for the year.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets,* the Agency's activities are separated as follows:

Governmental Activities – all of the Agency's basic services are considered to be governmental activities, including development services and interest on long-term debt.

Government-Wide Financial Statements - are prepared on the accrual basis, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Reporting the Agency's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide detailed information about the Agency's funds. Some funds are required to be established by State law and by bond covenants. However, the Agency Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

- *Governmental funds* – all of the Agency's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Capital assets and other long-lived assets, along with long-term liabilities are not presented in the Governmental Fund Financial Statements. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) and Governmental Fund Financial Statements are explained in a reconciliation schedule following each Governmental Fund Financial Statement.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the Agency's budgetary principals and comparison schedules for the General Fund.

**THE AGENCY AS A WHOLE**

The Agency's combined Net Assets at June 30, 2006 were:

**Table 1**
**Net Assets**
**Governmental Activities**

| | 2006 | 2005 | Increase (Decrease) |
|---|---|---|---|
| Current and Other Assets | $ 49,793,104 | $ 47,183,676 | $ 2,609,428 |
| Loans Receivable | 18,670,999 | 15,697,668 | 2,973,331 |
| Capital Assets, net of depreciation | 37,378,216 | 18,845,025 | 18,533,191 |
| **Total Assets** | **105,842,319** | **81,726,369** | **24,115,950** |
| Current Liabilities | 4,451,942 | 3,410,323 | 1,041,619 |
| Advances from the City | - | 6,672,700 | (6,672,700) |
| Due to the City | 7,687 | - | 7,687 |
| Long-term Debt: | | | |
| Due within one year | 3,866,676 | 2,280,000 | 1,586,676 |
| Due in more than one year | 98,839,245 | 91,970,668 | 6,868,577 |
| **Total Liabilities** | **107,165,550** | **104,333,691** | **2,831,859** |
| Net Assets (Deficit) : | | | |
| Restricted for: | | | |
| Debt Service | 2,478,820 | 2,259,184 | 219,636 |
| Low and Moderate Income Housing | 11,674,830 | 11,990,240 | (315,410) |
| Unrestricted | (15,476,881) | (36,856,746) | 21,379,865 |
| **Total Net Assets (Deficit)** | **$ (1,323,231)** | **$ (22,607,322)** | **$ 21,284,091** |

- The Agency's net assets increased $21,284,091 from negative $22,607,322 to negative $1,323,231 as a result of this year's operations. This is due to an increase of $24,115,950 in assets partially offset by an increase to liabilities of $2,831,859.

- The $24,115,950 increase to assets consisted of increases to current and other assets, loans receivable and capital assets of $2,609,428, $2,973,331 and $18,533,191, respectively. The increase to current and other assets was due primarily to managing the Agency's interest rate risk. The increase to loans receivable was due substantially to loans receivable of $2,687,321 for the Ford Point Building Loan to

fund improvements to the Ford Assembly Building, CALHome Loans of $113,775 to provide the housing assistance to Richmond residents and a Richmond Housing Authority Loan of $174,067 to assist the Housing Authority with its lease payments for the 2003A-S Multifamily Housing Revenue Bonds. The increase to capital assets was due to an increase of $10,147,772 to construction in progress of $4,031,441 for Metrowalk (Transit village), $3,903,795 for the Ford Building, $2,124,630 for Terminal One, and $87,846 of capital improvements to a variety of other projects. The increase to capital assets was also due to Land and Land Improvements of $8,781,552 comprised of the following land purchases: $6,120,000 for the Miraflores site, $1,380,815 for a former KFC site, $651,295 for 400 Macdonald Avenue, $345,573 for 300 Macdonald Avenue, and $283,869 for 1421 Nevin Avenue. Capital Asset additions are offset by Sales of Land and Land Improvements of $209,477.

- The $2,831,859 increase to liabilities was due primarily to an $8,455,253 increase to long-term debt offset by a $6,672,700 decrease in advances from the City of Richmond. The reduction in advances from the City of Richmond was the result of using $6,672,700 of the Urban Development Action Grant for allowable activities under the Marina Bay Master Agreement. Some of these activities include infrastructure and parks such as Marina Way South and Lucretia Edwards Park, and railroad crossings at various sites within Marina Bay and Marina Bay Trails.

## Governmental Activities

Table 2 presents the revenues and expenses for the Agency as a whole.

**Table 2**
**Revenue and Expenses**
**Governmental Activities**

| | 2006 | 2005 | Increase/ (Decrease) |
|---|---|---|---|
| **Revenues:** | | | |
| *Program Revenues:* | | | |
| Capital Grants and Contributions | $ 2,336,589 | $ 1,155,281 | $ 1,181,308 |
| Charges for Services | 3,145,300 | - | 3,145,300 |
| Settlement Reimbursement | 4,226,289 | - | 4,226,289 |
| *General Revenues:* | | | |
| Property Taxes | 15,925,961 | 14,065,091 | 1,860,870 |
| Developer Revenue Sharing | 3,254,620 | - | 3,254,620 |
| Investment Earnings | 1,889,963 | 1,212,584 | 677,379 |
| Miscellaneous and Transfers | 7,121,318 | 2,772,979 | 4,348,339 |
| Gain on Sale of Land | - | 10,256,877 | (10,256,877) |
| Total General Revenues | 28,191,862 | 28,307,531 | (115,669) |
| Total Revenues | 37,900,040 | 29,462,812 | 8,437,228 |
| **Expenses:** | | | |
| Housing and Redevelopment | 11,209,180 | 8,129,710 | 3,079,470 |
| Interest on Long-Term Debt | 5,406,769 | 6,001,987 | (595,218) |
| Total Expenses | 16,615,949 | 14,131,697 | 2,484,252 |
| **Increase (Decrease) in Net Assets** | **$ 21,284,091** | **$ 15,331,115** | **$ 5,952,976** |

Program and general revenues increased by $8,437,228.

- Property taxes increased $1,860,870 from an increase in property values resulting from the Agency's blight eliminating and other property enhancing activities and from property taxes from the sale of condominium conversions and single family residences to homebuyers.
- Developer Revenue Sharing increased by $3,254,620 due to conversion of apartment complexes in the Marina Bay area to ownership condominiums activating the 1.5% Agency Participation Agreement with the developer on all initial and subsequent sales.
- Charges for Services increased by $3,145,000; these are In Lieu fees paid by developers.
- Settlement reimbursements are the result of Terminal One Litigation settlement proceeds of $4,226,289.
- Miscellaneous Revenue increased by $4,348,339 due to a transfer from the City's General Fund of $6,672,700 to the Agency's Harbour Debt Service Fund to pay for the Urban Development Action Grant .

Expenses increased by $2,484,252.

- Housing and Redevelopment expenditures increased $3,079,470 due to Internal Service Charges from the City, planning and consulting charges for Terminal One, and litigation related expenses for Terminal One and the Ford Assembly Building.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

During fiscal year 2006, the Agency's investment in capital assets net of accumulated depreciation increased to $37,378,216 (See Table No. 3 below); the prior year's investment was $18,845,025. The $18,533,191 increase consisted of increases to construction in progress, land and land improvements of $10,147,772 and $8,781,552, respectively offset by sales of land and land improvement costing $209,477 and depreciation for the year of $186,656.

**Table 3**
**Capital Assets at June 30, 2006**

| | Capital Assets As of June 30, 2006 | Capital Assets As of June 30, 2005 |
|---|---|---|
| Furniture, Machinery and Equipment | $ 275,560 | $ 275,560 |
| Buildings and Building Improvements | 5,275,981 | 5,275,981 |
| Land | 12,717,435 | 4,145,360 |
| Construction in Progress | 22,270,201 | 12,122,429 |
| Less: Accumulated Depreciation | (3,160,961) | (2,974,305) |
| **Total** | **$ 37,378,216** | **$ 18,845,025** |

**Debt**

**Table 4**
**Outstanding Debt, at June 30, 2006**

**Government Activities**

| | 2006 | 2005 |
|---|---|---|
| Tax Allocation Revenue Bonds: | | |
| 1991 Issue | $ 210,000 | $ 260,000 |
| 1998 Issue | 24,316,090 | 24,298,513 |
| Loans Payable | | |
| 2000 Richmond Joint Powers Fin. Auth. | 24,830,000 | 28,440,000 |
| 2003 Richmond Joint Powers Fin. Auth. | 27,151,000 | 23,880,000 |
| 2004 Richmond Joint Powers Fin. Auth. | 14,965,000 | 15,300,000 |
| Notes Payable | | |
| Wells Fargo Bank Loan | 500,000 | 500,000 |
| CA Housing Finance Agency Loan | 2,617,155 | 1,572,155 |
| HUD section 108 Loans | 6,500,000 | |
| CERF Loans | 1,616,676 | |
| **Total** | **$ 102,705,921** | **$ 94,250,668** |

For a complete discussion of outstanding debt, refer to the notes to the financial statement. Loans Payable excludes reserves and capitalized interest held by the Richmond Joint Powers Financing Authority.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the Agency's revenue forecast for fiscal year 2006-2007 were:

1. Property tax increment revenues will increase by 2% due to an estimated rise in assessed valuation, and

2. Property tax increment revenues will increase by 2% due to new projects.

## CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at the City of Richmond, 1401 Marina Way South, Richmond, CA, 94804. Inquiries may also be sent via e-mail to FINANCE@ci.richmond.ca.us

[THIS PAGE INTENTIONALLY LEFT BLANK]

## CITY OF RICHMOND REDEVELOPMENT AGENCY

### STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's infrastructure and other fixed assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets. The Statement of Net Assets summarizes the financial position of the Agency's financial position in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets and current liabilities.

The format of the Statement of Activities presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed in the Governmental Activities column and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

# RICHMOND REDEVELOPMENT AGENCY
# STATEMENT OF NET ASSETS
# JUNE 30, 2006

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and investments (Note 2) | $19,046,314 |
| Restricted cash and investments (Note 2) | 28,973,086 |
| Receivables: | |
| Accounts, net | 337,565 |
| Interest | 63,748 |
| Grants | |
| Loans (Note 3) | 18,670,999 |
| Prepaid and other assets | 1,200,000 |
| Due from the City (Note 4) | 34,348 |
| Advances to the City (Note 4) | 138,043 |
| Capital assets (Note 6): | |
| Nondepreciable | 34,987,636 |
| Depreciable, net | 2,390,580 |
| *Total Assets* | 105,842,319 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 4,072,415 |
| Refundable deposits | 379,527 |
| Due to the City (Note 4) | 7,687 |
| Long-term debt (Note 7): | |
| Due within one year | 3,866,676 |
| Due in more than one year | 98,839,245 |
| Total Liabilities | 107,165,550 |
| NET ASSETS (DEFICIT) (Note 8) | |
| Restricted for: | |
| Debt service | 2,478,820 |
| Low and moderate income housing | 11,674,830 |
| Total Restricted Net Assets | 14,153,650 |
| Unrestricted (Deficit) | (15,476,881) |
| Total Net Assets (Deficit) | ($1,323,231) |

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | |
|---|---|
| Program expense: | |
| Housing and redevelopment | $11,209,180 |
| Interest on long term debt | 5,406,769 |
| Total program expense | 16,615,949 |
| Program revenues: | |
| Charges for services | 3,145,300 |
| Capital grants | 2,336,589 |
| Settlement reimbursement | 4,226,289 |
| Total program revenues | 9,708,178 |
| Net program expense | 6,907,771 |
| General revenues and transfers: | |
| Tax increments | 15,925,961 |
| Developer revenue sharing | 3,254,620 |
| Investment earnings | 1,889,963 |
| Miscellaneous | 519,350 |
| Transfers from the City, net (Note 4) | 6,601,968 |
| Total general revenues | 28,191,862 |
| Change in Net Assets | 21,284,091 |
| Net Assets (Deficit)-Beginning | (22,607,322) |
| Net Assets (Deficit)-Ending | ($1,323,231) |

See accompanying notes to financial statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

## FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

RICHMOND REDEVELOPMENT AGENCY
BALANCE SHEET
JUNE 30, 2006

| | General Fund | Downtown Debt Service | Harbour Debt Service | Eastshore Park Debt Service | Potrero Debt Service | Galvin Debt Service |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and investments (Note 2) | $2,345,344 | $300,996 | $4,244,448 | $262,240 | $500,071 | $519,083 |
| Restricted cash and investments (Note 2) | 64,995 | | 2,251,601 | | | |
| Receivables | | | | | | |
| Accounts, net | 311,791 | | | | | |
| Interest | 9,984 | 4,052 | 29,504 | 1,997 | 3,590 | 3,033 |
| Loans (Note 3) | 2,928,729 | | | | | |
| Due from the City (Note 4) | 34,348 | | | | | |
| Prepaid and other assets | | | | | | |
| Advances to other funds (Note 4) | | | | | | |
| Advances to the City (Note 4) | | | | | | |
| Total Assets | $5,695,191 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | $134,420 | | | | | |
| Refundable deposits | 75,671 | | | | | |
| Due to the City (Note 4) | 7,687 | | | | | |
| Advances from other funds (Note 4) | 115,000 | | | | | |
| Deferred revenue (Note 5) | 2,928,729 | | | | | |
| Total Liabilities | 3,261,507 | | | | | |
| FUND BALANCES | | | | | | |
| Fund balance | | | | | | |
| Reserved for | | | | | | |
| Encumbrances | 84,350 | | | | | |
| Low and moderate income housing | | | | | | |
| Debt service | | | $2,251,601 | | | |
| Advances to other funds | | | | | | |
| Loans receivable | | | | | | |
| Prepaids and other assets | | | | | | |
| Unreserved, Undesignated reported in | | | | | | |
| General Fund | 2,349,334 | | | | | |
| Capital Projects Funds | | | | | | |
| Debt Service Funds | | $305,048 | 4,273,952 | $264,237 | $503,661 | $522,116 |
| Total Fund Balances | 2,433,684 | 305,048 | 6,525,553 | 264,237 | 503,661 | 522,116 |
| Total Liabilities and Fund Balances | $5,695,191 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |

Amounts reported for Governmental Activities in the Statement of Net Assets
are different from those reported in the Governmental Funds above because of the following

CAPITAL ASSETS
Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds

*ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES*
Revenues which are deferred on the Fund Balance Sheets because they are not
available currently are taken into revenue in the Statement of Activities

LONG TERM ASSETS AND LIABILITIES
The assets and liabilities below are not due and payable in the current period and
therefore are not reported in the Funds
Interest payable
Long-term debt

NET ASSETS (DEFICITS) OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

| Low and Moderate 2000 TARB Debt Service | 2000 TARB Capital Project | Low and Moderate Income Housing Capital Project | Downtown Capital Project | Harbour Capital Project | 2004 TARB Capital Project | Redevelopment CIP Capital Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| $215,196 | $116,396 | $3,774,299 | $374,152 | $4,829,047 | $11,040 | $320,931 | $1,233,071 | $19,046,314 |
| | 13,103,103 | 702,188 | 362,102 | 5,418,652 | 5,746,560 | 1,323,885 | | 28,973,086 |
| | | | 25,774 | | | | | 337,565 |
| $1,780 | (254) | 13,019 | 1,258 | (6,234) | (6,251) | (1,962) | 10,232 | 63,748 |
| | | 7,873,832 | 473,648 | 8,127,680 | | 2,377,143 | | 21,781,032 |
| | | | | | | | | 34,348 |
| | | | 1,200,000 | | | | | 1,200,000 |
| | | | 55,000 | 60,000 | | | | 115,000 |
| | | | | | | 34,358 | 103,685 | 138,043 |
| $216,976 | $13,219,245 | $12,363,338 | $2,491,934 | $18,429,145 | $5,751,349 | $4,054,355 | $1,346,988 | $71,689,136 |
| | | $469,064 | $151,397 | $456,995 | | $918,717 | | $2,130,593 |
| | | | 58,462 | 224,085 | | 21,309 | | 379,527 |
| | | | | | | | | 7,687 |
| | | | | | | | | 115,000 |
| | | 7,654,388 | 460,881 | 8,127,680 | | 2,377,143 | | 21,548,821 |
| | | 8,123,452 | 670,740 | 8,808,760 | | 3,317,169 | | 24,181,628 |
| | | | | | | | | 84,350 |
| | | 4,020,442 | | | | | | 4,020,442 |
| $216,976 | | | | | | | $10,243 | 2,478,820 |
| | | | 55,000 | 60,000 | | 34,358 | 103,685 | 253,043 |
| | | 219,444 | 12,767 | | | | | 232,211 |
| | | | 1,200,000 | | | | | 1,200,000 |
| | | | | | | | | 2,349,334 |
| | $13,219,245 | | 553,427 | 9,560,385 | $5,751,349 | 702,828 | 1,233,060 | 31,020,294 |
| | | | | | | | | 5,869,014 |
| 216,976 | 13,219,245 | 4,239,886 | 1,821,194 | 9,620,385 | 5,751,349 | 737,186 | 1,346,988 | 47,507,508 |
| $216,976 | $13,219,245 | $12,363,338 | $2,491,934 | $18,429,145 | $5,751,349 | $4,054,355 | $1,346,988 | |
| | | | | | | | | 37,378,216 |
| | | | | | | | | 18,438,788 |
| | | | | | | | | (1,941,822) |
| | | | | | | | | (102,705,921) |
| | | | | | | | | ($1,323,231) |

RICHMOND REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

| | General Fund | Downtown Debt Service | Harbour Debt Service | Eastshore Park Debt Service | Potrero Debt Service | Galvin Debt Service |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Property Tax | | $1,165,397 | $7,305,219 | $439,673 | $861,203 | $625,296 |
| Use of money and property | $796,779 | 18,245 | 238,635 | 8,660 | 14,927 | 12,958 |
| Intergovernmental | | | | | | |
| Licenses, permits and fees | 3,145,300 | | | | | |
| Developer revenue sharing | | | | | | |
| Settlement reimbursement | | | | | | |
| Other | 133,858 | | | | | |
| Total Revenues | 4,075,937 | 1,183,642 | 7,543,854 | 448,333 | 876,130 | 638,254 |
| EXPENDITURES | | | | | | |
| Current. | | | | | | |
| Housing and redevelopment | 4,968,923 | 100,320 | 664,117 | 43,615 | 83,096 | 61,853 |
| Capital outlay | | | | | | |
| Debt Service: | | | | | | |
| Principal | | | 535,000 | | | |
| Interest and fiscal charges | 1,516,464 | | 705,678 | | | |
| Total Expenditures | 6,485,387 | 100,320 | 1,904,795 | 43,615 | 83,096 | 61,853 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,409,450) | 1,083,322 | 5,639,059 | 404,718 | 793,034 | 576,401 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of debt | | | | | | |
| Proceeds from sale of property | | | | | | |
| Transfers in from the City (Note 4) | 1,000,268 | | 6,672,700 | | | |
| Transfers in (Note 4) | 3,824,563 | 75,300 | 262,645 | | | |
| Transfers (out) (Note 4) | (1,601,000) | (1,627,679) | (4,542,797) | (479,397) | (868,563) | (495,552) |
| Total Other Financing Sources (Uses) | 3,223,831 | (1,552,379) | 2,392,548 | (479,397) | (868,563) | (495,552) |
| NET CHANGE IN FUND BALANCES | 814,381 | (469,057) | 8,031,607 | (74,679) | (75,529) | 80,849 |
| BEGINNING FUND BALANCES (DEFICITS) | 1,619,303 | 774,105 | (1,506,054) | 338,916 | 579,190 | 441,267 |
| ENDING FUND BALANCES | $2,433,684 | $305,048 | $6,525,553 | $264,237 | $503,661 | $522,116 |

See accompanying notes to financial statements

| Low and Moderate 2000 TARB Debt Service | JPFA 2000 TARB Capital Project | Low and Moderate Income Housing Capital Project | Downtown Capital Project | Harbour Capital Project | 2004 TARB Capital Projects | Redevelopment CIP Capital Project | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| | | $3,317,381 | | | | | $2,211,792 | $15,925,961 |
| $147,378 | $348,781 | 115,206 | $12,793 | $136,263 | $288,236 | ($35,838) | 95,164 | 2,198,187 |
| | | 48,041 | | 1,500,000 | | 788,548 | | 2,336,589 |
| | | | | | | | | 3,145,300 |
| | | | | 3,254,620 | | | | 3,254,620 |
| | | | | 4,226,289 | | | | 4,226,289 |
| | | 56,265 | 329,227 | | | | | 519,350 |
| 147,378 | 348,781 | 3,536,893 | 342,020 | 9,117,172 | 288,236 | 752,710 | 2,306,956 | 31,606,296 |
| 8,370 | 23,521 | 9,673,624 | 293,504 | 590,033 | 20,266 | 429,148 | 224,368 | 17,184,758 |
| | | 2,000,012 | 2,090,570 | 6,395,659 | | 5,496,880 | | 15,983,121 |
| 1,410,000 | | | | | | | 335,000 | 2,280,000 |
| 1,496,726 | | | | | | 54 | 856,229 | 4,575,151 |
| 2,915,096 | 23,521 | 11,673,636 | 2,384,074 | 6,985,692 | 20,266 | 5,926,082 | 1,415,597 | 40,023,030 |
| (2,767,718) | 325,260 | (8,136,743) | (2,042,054) | 2,131,480 | 267,970 | (5,173,372) | 891,359 | (8,416,734) |
| | | 4,500,000 | | 4,616,676 | | | | 9,116,676 |
| | | 200,571 | | | | | | 200,571 |
| | | | | | | | | 7,672,968 |
| 2,977,638 | | 5,465,284 | 3,000,000 | 421,709 | | 4,086,679 | 1,252,065 | 21,365,883 |
| | (4,007,672) | (2,460,724) | | (182,645) | (2,515,000) | | (2,584,854) | (21,365,883) |
| 2,977,638 | (4,007,672) | 7,705,131 | 3,000,000 | 4,855,740 | (2,515,000) | 4,086,679 | (1,332,789) | 16,990,215 |
| 209,920 | (3,682,412) | (431,612) | 957,946 | 6,987,220 | (2,247,030) | (1,086,693) | (441,430) | 8,573,481 |
| 7,056 | 16,901,657 | 4,671,498 | 863,248 | 2,633,165 | 7,998,379 | 1,823,879 | 1,788,418 | 38,934,027 |
| $216,976 | $13,219,245 | $4,239,886 | $1,821,194 | $9,620,385 | $5,751,349 | $737,186 | $1,346,988 | $47,507,508 |

RICHMOND REDEVELOPMENT AGENCY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|---|---|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | $8,573,481 |
| Amounts reported for governmental activities in the Statement of Activities are different because of the following: | |
| CAPITAL ASSETS | |
| Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. | |
| The capital outlay expenditures are therefore added back to fund balance | 18,929,324 |
| Depreciation expense is deducted from the fund balance | (186,656) |
| Retirements of capital assets are deducted from the fund balance | (209,477) |
| LONG TERM DEBT PROCEEDS AND PAYMENTS | |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities. | |
| Bond proceeds are deducted from fund balance | (9,116,676) |
| Repayment of debt principal is added back to fund balance | 2,280,000 |
| Transfer to the City is deducted from fund balance | (1,071,000) |
| Interest accrued to principal is deducted from fund balance | (45,000) |
| Capital appreciation bonds accretion is deducted from fund balance | (502,577) |
| ACCRUAL OF NON-CURRENT ITEMS | |
| The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change): | |
| Deferred revenue | 2,916,713 |
| Interest payable | (284,041) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | $21,284,091 |

See accompanying notes to financial statements

RICHMOND REDEVELOPMENT AGENCY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

| | Agency Funds |
|---|---|
| ASSETS | |
| Cash and investments (Note 2) | $340,539 |
| Restricted cash and investments (Note 2) | 342,664 |
| Interest receivable | (1,015) |
| Total Assets | $682,188 |
| LIABILITIES | |
| Due to assessment district bondholders | $682,188 |
| Total Liabilities | $682,188 |

See accompanying notes to financial statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. General*

The Richmond Redevelopment Agency (Agency) was formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law, primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, State, Federal governments, incremental property taxes, interest income, issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds.

Although the Redevelopment Agency is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency and members of the City Council serve as the governing board of the Redevelopment Agency.

Project Area Plans (Plans) have been developed to provide an improved physical, social, and economic environment in various Project Areas. The Agency has the following project areas:

| Project Area | Dates |
|---|---|
| Eastshore Park Project Area No. 1-A | Most recent Amendment - July 27, 2004 |
| Pilot Project Area No. 1-B | Most recent Amendment - July 27, 2004 |
| Potrero Project Area No. 1-C | Most recent Amendment - July 27, 2004 |
| Galvin Project Area No. 3-A | Most recent Amendment - July 27, 2004 |
| Terrace Project Area No. 4-A | Most recent Amendment - December 19, 1994 |
| Harbor Gate Project Area No. 6-A | Most recent Amendment - July 27, 2004 |
| Hensley Project Area No. 8-A | Most recent Amendment - July 27, 2004 |
| Downtown Project Area No. 10-A | Most recent Amendment - July 27, 2004 |
| Nevin Project Area No. 10-B | Most recent Amendment - July 27, 2004 |
| Harbour Project Area No. 11-A | Most recent Amendment - July 27, 2004 |
| North Richmond Project Area No. 12-A | Most recent Amendment - July 27, 2004 |

### *B. Basis of Accounting and Measurement Focus*

The basic financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

*Agency-Wide Financial Statements* – Agency-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency. The Agency has no Business Type Activities.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency-wide financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents all the Agency's revenues, expenses and other changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

*Governmental Fund Financial Statements* - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the City-Wide financial statements.

All governmental funds are accounted for on the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

### *C. Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

### *D. Cash and Investments*

The Agency participates in the City's cash and investment pool which is managed by the City Treasurer. All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

All investments are stated at fair value. Market value is used as fair value for all securities.

The City participates in the State of California's Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *E. Compensated Absences*

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts expected to be paid out of current financial resources as liabilities at the end of the fiscal year, while their long-term liabilities are recorded in the Statement of Net Assets.

### *F. Property Tax Levy, Collection and Maximum Rates*

Under California law, the Agency may not assess or receive property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in each Agency Project Area became subject to redevelopment (called the Base Year). These increases are called property tax increments; one fifth of these increments must be used to increase the supply of low and moderate income housing.

Property taxes and increments are assessed and collected by the County of Contra Costa (County). Under the Teeter plan, the County remits the full assessment regardless of the amounts received. The County assesses, bills, and collects property taxes as follows:

| | |
|---|---|
| Lien Date | January 1 |
| Levy Date | July 1 |
| Due Date | November 1 and February 1 |
| Collection Date | December 10 and April 10 |

### *G. Long-Term Obligations*

*Agency-Wide Financial Statements* - Long-term debt is reported as liabilities of the appropriate governmental activity.

Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

*Fund Financial Statements* - Governmental fund financial statements do not present long-term debt. Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

### *H. Deferred Revenues*

The Agency reports deferred revenues as offsets to receivables from project developers or notes receivable from homeowners because such amounts are measurable but are not yet available.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *I. Net Assets and Fund Equity*

In the Agency-Wide Financial Statements, net assets are classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

*Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets" as defined above.

In the Fund Financial Statements, reservations and designations of fund balances of the governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity to not available for future expenditures.

## 2. CASH AND INVESTMENTS

The Agency's dependence on property tax increments, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City and Agency pool cash from all sources and all funds except Cash with Fiscal Agents so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

Investments are carried at market value and investment income is generally allocated among funds on the basis of average cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

### *A. Classification*

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or Agency agreements

| | |
|---|---|
| Cash and investments | $19,046,314 |
| Restricted cash and investments | 28,973,086 |
| **Total Agency's cash and investments** | 48,019,400 |
| Cash and investments in Fiduciary Funds (Separate Statement) | |
| Cash and investments | 340,539 |
| Restricted cash and investments | 342,664 |
| **Total cash and investments** | $48,702,603 |

## 2. CASH AND INVESTMENTS (Continued)

### *B. Authorized Investments*

Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | | Maximum Investment In One Issuer |
|---|---|---|---|---|---|
| U.S. Treasury Bills, Bonds and Notes | 5 years | | None | | None |
| Obligations issued by United States Government or its Agencies | 5 years | | None | | None |
| Treasury bonds and notes issued by the State of California or any local agency with California | 5 years | A | None | | |
| Bankers Acceptances | 180 days | | 40% | | 30% |
| Commercial Paper | 270 days | A1/P1/F1 | 15% | A | 10% |
| Negotiable Certificates of Deposit | 5 years | A | 30% | | None |
| Medium Term Corporate Notes | 5 years | A | 30% | | None |
| Money Market Mutual Funds | N/A | Top rating category | 15% | | None |
| California Local Agency Investment Fund | N/A | | None | | 40 Mil |
| Collateralized Time Deposits | 5 years | | 30% | | 10% |
| Repurchase Agreements | 5 years | | None | B | None |

A: Agency may invest additional 15% or a total of 30% of Agency surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

B: Agency may not utilize Reverse Repurchase Agreement Under the provisions of the Agency's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

### *C. Investments Authorized by Debt Issues and Lease Agreements*

Under the terms of the Agency's debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the Agency's funds. At June 30, 2006, the Agency was in compliance with the terms of all these restrictions.

### *D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

## 2. CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity or earliest call date:

| | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|
| | 12 months or Less | 25 to 60 Months | More than 60 months | Total |
| City of Richmond investment pool (overdraft) | ($4,846,240) | | | ($4,846,240) |
| California Local Agency Investment Fund | 5,515,904 | | | 5,515,904 |
| Wells Fargo Money Market Mutual Funds | 1,580,164 | | | 1,580,164 |
| ***Held by bond trustee:*** | | | | |
| Money market mutual funds (U.S. Securities) | 22,293,372 | | | 22,293,372 |
| Investment agreement | | | $1,039,778 | 1,039,778 |
| Investment repurchase agreement | | $1,146,500 | | 1,146,500 |
| **Total Investments** | $24,543,200 | $1,146,500 | $1,039,778 | 26,729,478 |
| Agency's cash in bank | | | | 21,973,125 |
| **Total Cash and Investments** | | | | $48,702,603 |

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2006, matured in an average of 29 days

### *E. Fair value of Investments*

GASB Statement 31 requires governments to present investments at fair value. The total changes in the fair value of investments in the current fiscal year is not of material significance. The Agency does not adjust the carrying value of its investment to reflect the fair value at each fiscal year-end.

## 2. CASH AND INVESTMENTS (Continued)

### *F. Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2006 for each investment type:

| Investment Type | AAA | Total |
|---|---|---|
| Money market mutual funds (U.S. Securities) | $23,873,536 | $23,873,536 |
| *Not rated:* | | |
| California Local Agency Investment Fund | | 5,515,904 |
| Investment agreement | | 1,039,778 |
| Investment repurchase agreement | | 1,146,500 |
| City of Richmond investment pool (overdraft) | | (4,846,240) |
| **Total Investments** | | 26,729,478 |
| Cash in Bank | | 21,973,125 |
| **Total cash and investments** | | $48,702,603 |

### *G. Concentration of Credit Risk*

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual Funds and external investment pool in major funds at June 30, 2006:

| Major Funds | Issuer | Type of Investment | Amount |
|---|---|---|---|
| Harbour Debt Service Fund | Bayerische Landesbank Girozentrale | Investment Repurchase Agreement | $1,146,500 |
| Harbour Debt Service Fund | Morgan Guarantee Trust | Investment Agreement | 1,039,778 |

## 3. LOANS RECEIVABLE

At June 30, 2006, notes and loans receivable consisted of the following:

| | Amount |
|---|---|
| EDA Loans | $473,648 |
| Olson Urban Housing, LLC | 4,951,143 |
| Harbour Capital Projects Loan | 5,440,359 |
| Atchison Village Annex Apartments | 487,501 |
| Heritage Park Development | 444,565 |
| Silent Second Mortgage Loans | 2,267,161 |
| Chesley Avenue Mutual Housing Development | 4,741,492 |
| Ford Point Building Loan | 2,687,321 |
| CALHome Program | 113,775 |
| Richmond Housing Authority | 174,067 |
| **Total Notes and Loans Receivable** | 21,781,032 |
| **Less Reserve For Conditional Grants** | (3,110,033) |
| **Net Notes and Loans Receivable** | $18,670,999 |

## 3. LOANS RECEIVABLE (Continued)

### EDA loans

The City's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives.

### Olson Urban Housing, LLC.

This loan was made to provide assistance in the construction of low and moderate income housing. It provides for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements.

### Harbour Capital Projects Loan

The $5,440,359 is based on two promissory notes resulting from the sale of the Ford building of $3,400,000 and the sale of the North Shore properties $2,040,359.

### Atchison Village Annex Apartments

In 1998, the Redevelopment Agency loaned Atchison Village Associates, LP $464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments are principal and interest payable in equal monthly payments of $2,651.

In 2006, the Redevelopment Agency loaned Atchison Village Associates, LP $44,000 collateralized by a deed of trust to finance the rehabilitation of low and moderate income housing. The loan bears no interest and the entire principal interest is due in 25 years.

### Heritage Park Development

In 1999, the Redevelopment Agency loaned Hilltop Group, LP a total of $500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of $3,115 are payable through September 1, 2019.

### Silent Second Mortgage Loans

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

### Chesley Avenue Mutual Housing Development

On December 1, 2003, the Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of $4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006 at the rate of 2% per annum. or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

## 3. LOANS RECEIVABLE (Continued)

### Ford Assembly Building Loan

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan $3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 7. The loan's principal is due in August 2025, and interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. At June 30, 2006, the developer had drawn down a total loan amount of $2,687,321.

### CALHome Program

The CalHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. At June 30, 2006, the Agency had issued loans of $113,775.

### Housing Authority

In fiscal 2006, the Agency loaned $174,067 to the Richmond Housing Authority, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The term of the loan is one year and the loan bears interest of 3%.

### Conditional Grants

The loan to Olson Urban Housing, LLC provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for this loan as a conditional grant in the Agency-wide financial statements, and provides a reserve against the eventual forgiveness.

## 4. INTERFUND RECEIVABLES AND PAYABLES

### Advances Between Agency Funds

At June 30, 2006, the Agency had outstanding the following advances to and from other Agency funds:

| Fund Making Advance | Fund Receiving Advance | Amount of Advance |
|---|---|---|
| Downtown Capital Projects Fund | General Fund | $55,000 |
| Harbour Capital Projects Fund | General Fund | 60,000 |
| | Total Advances | $115,000 |

## 4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

### Transfers Between Agency Funds

At June 30, 2006, the Agency had the following transfers in and out:

| Fund Making Transfers | Funds Receiving Transfers | Amount Transferred |
|---|---|---|
| General Fund | Low/Mod Income Housing Capital Projects | $1,601,000 |
| Downtown Debt Service | General Fund | 35,280 |
| | Low/Mod 2000 TARB Debt Service | 297,173 |
| | Downtown Capital Projects | 1,250,000 |
| | Non-Major Governmental Funds | 45,226 |
| Harbour Debt Service | General Fund | 2,345,602 |
| | Redevelopment CIP Capital Projects | 1,500,000 |
| | Harbour Capital Projects | 350,000 |
| | Non-Major Governmental Funds | 347,195 |
| Eastshore Park Debt Service | General Fund | 21,988 |
| | Low/Mod 2000 TARB Debt Service | 202,049 |
| | Downtown Capital Projects | 200,000 |
| | Non-Major Governmental Funds | 55,360 |
| Potrero Debt Service | General Fund | 42,496 |
| | Low/Mod 2000 TARB Debt Service | 462,816 |
| | Downtown Capital Projects | 300,000 |
| | Non-Major Governmental Funds | 63,251 |
| Galvin Debt Service | General Fund | 36,175 |
| | Low/Mod 2000 TARB Debt Service | 373,954 |
| | Non-Major Governmental Funds | 85,423 |
| JPFA 2000 TARB Capital Projects | Redevelopment CIP Capital Projects | 2,586,679 |
| | Harbour Capital Projects | 71,709 |
| | Low/Mod Income Housing Capital Projects | 1,349,284 |
| Low/Mod Income Housing Capital Projects | General Fund | 1,233,616 |
| | Low/Mod 2000 TARB Debt Service | 750,000 |
| | Non-Major Governmental Funds | 477,108 |
| Harbour Capital Projects | Harbour Debt Service | 182,645 |
| 2004 TARB Capital Projects | Low/Mod Income Housing Capital Projects | 2,515,000 |
| Non-Major Governmental Funds | General Fund | 109,406 |
| | Low/Mod 2000 TARB Debt Service | 891,646 |
| | Harbour Debt Service | 80,000 |
| | Downtown Capital Projects | 1,250,000 |
| | Downtown Debt Service | 75,300 |
| | Non-Major Governmental Funds | 178,502 |
| | **Total** | $21,365,883 |

## 4. INTERFUND RECEIVABLES AND PAYABLES (Continued)

**Advances Between the City and Agency**

At June 30, 2006, the Redevelopment CIP Capital Project Fund had advanced $34,358 to the City's JPFA Debt Service Fund, and the Hensley Capital Project Fund had advanced $103,685 to the City's General Fund.

**Transfers with the City**

During the year ended June 30, 2006 the City's General Fund transferred $6,672,700 to the Redevelopment Agency's Harbour Debt Service Fund to pay the Urban Development Action Grant loan, and the City's Joint Powers Financing Authority transferred $1,000,268 to the Agency's General Fund to fund debt service payments on the 2003 Tax Allocation Revenue Bonds. In addition, the Agency transferred $1,071,000 to the City representing an adjustment to the long-term debt balances for the 2003 and 2004 JPFA Tax Allocation Revenue Bonds

**Due From and To the City**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after end of the fiscal year. At June 30, 2006 interfund transactions between Redevelopment Agency's General Fund and the City's Community Development Block Grant Special Revenue Fund were $34,348 due to the Agency from the City and $7,687 due from the Agency to the City.

## 5. DEFERRED REVENUE

Deferred revenue in the General Fund and Capital Projects Funds at June 30, 2006 were related to the notes and loans receivable in Note 3 and consisted of the following:

| | |
|---|---|
| EDA Loans | $ 460,881 |
| Olson Urban Housing, LLC | 4,951,143 |
| Harbour Capital Projects Loan | 5,440,359 |
| Atchison Village Annex Apartments | 487,501 |
| Heritage Park Development | 225,121 |
| Silent Second Mortgage Loans | 2,267,161 |
| Chesley Street Development | 4,741,492 |
| Ford Point Building | 2,687,321 |
| CALHome Program | 113,775 |
| Housing Authority | 174,067 |
| *Total* | $21,548,821 |

## 6. CAPITAL ASSETS

The following is a summary of the Agency's capital assets:

| | Balance at June 30, 2005 | Additions | Retirements | Balance at June 30, 2006 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land and Land improvements | $4,145,360 | $8,781,552 | ($209,477) | $12,717,435 |
| Construction in progress (CIP) | 12,122,429 | 10,147,772 | | 22,270,201 |
| Total capital assets not being depreciated | 16,267,789 | 18,929,324 | (209,477) | 34,987,636 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,275,981 | | | 5,275,981 |
| Machinery and equipment | 275,560 | | | 275,560 |
| Total capital assets being depreciated | 5,551,541 | | | 5,551,541 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,787,742) | (149,341) | | (2,937,083) |
| Machinery and equipment | (186,563) | (37,315) | | (223,878) |
| Total accumulated depreciation | (2,974,305) | (186,656) | | (3,160,961) |
| Capital asset being depreciated, net | 2,577,236 | (186,656) | | 2,390,580 |
| Governmental activity capital assets, net | $18,845,025 | $18,742,668 | ($209,477) | $37,378,216 |

Depreciation expense for capital assets for the year ended June 30, 2006 charged to the Housing and Redevelopment Activity was $186,656.

## 7. LONG-TERM OBLIGATIONS

Summary of changes in long-term debt for the year ended June 30, 2006:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 | Due Within One Year | Due in More than One Year |
|---|---|---|---|---|---|---|
| Bonds payable | $24,558,513 | $502,577 | ($535,000) | $24,526,090 | $555,000 | $23,971,090 |
| Loans payable | 67,620,000 | 1,071,000 | (1,745,000) | 66,946,000 | 1,695,000 | 65,251,000 |
| Notes payable | 2,072,155 | 9,161,676 | | 11,233,831 | 1,616,676 | 9,617,155 |
| **Total** | $94,250,668 | $10,735,253 | ($2,280,000) | $102,705,921 | $3,866,676 | $98,839,245 |

## 7. LONG-TERM OBLIGATIONS (Continued)

### Bonds Payable

Bonds payable by the Agency at June 30, 2006 consisted of the following:

| | Net |
|---|---|
| Harbor Tax Allocation Refunding Bonds - 1991 | $210,000 |
| Harbor Tax Allocation Refunding Bonds - 1998 Series A | 24,316,090 |
| **Total** | $24,526,090 |

**1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds – Original Issue $11,465,000**

The Bonds were issued by the Redevelopment Agency to refund 1985 Tax Allocation and Refunding Bonds used for the Urban Renewal Plan for Project 11-A, the Harbour Redevelopment Plan. The Bonds consist of serial bonds in the amount of $6,365,000 that mature annually through 2004, in amounts ranging from $50,000 to $740,000. Interest rates vary from 3.75% to a maximum of 6% and payments are due semiannually on January 1 and July 1. The Term Bonds bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004 and are secured by a pledge of incremental tax revenues.

The annual debt service requirements on the Bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $55,000 | $12,775 | $67,775 |
| 2008 | 60,000 | 8,750 | 68,750 |
| 2009 | 60,000 | 4,550 | 64,550 |
| 2010 | 35,000 | 1,225 | 36,225 |
| **Total** | $210,000 | $27,300 | $237,300 |

7. LONG-TERM OBLIGATIONS (Continued)

**1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue $21,862,779**

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from $50,000 to $1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues. At June 30, 2006, the Bonds consisted of the following:

| | Value | Amortization | Unamortized Premium (Discount) | Net |
|---|---|---|---|---|
| Current interest bonds | $13,880,000 | | | $ 13,880,000 |
| Capital appreciation bonds | 16,935,000 | $502,577 | ($7,001,487) | 10,436,090 |
| **Total** | $30,815,000 | $502,577 | ($7,001,487) | $ 24,316,090 |

The annual debt service requirements on the bonds are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $500,000 | $669,153 | $1,169,153 |
| 2008 | 525,000 | 647,753 | 1,172,753 |
| 2009 | 550,000 | 624,903 | 1,174,903 |
| 2010 | 1,575,000 | 600,571 | 2,175,571 |
| 2011 | 1,595,000 | 574,826 | 2,169,826 |
| 2012-2016 | 9,170,000 | 2,402,925 | 11,572,925 |
| 2017-2021 | 10,210,000 | 1,350,406 | 11,560,406 |
| 2022-2024 | 6,690,000 | 235,601 | 6,925,601 |
| **Total** | $30,815,000 | $7,106,138 | $37,921,138 |

**Loans Payable**

The Richmond Joint Powers Financing Authority (Authority) has issued the Bonds listed below to assist in financing the Agency's operations. The Authority has retained reserve amounts required under the respective Bond indentures and loaned the net proceeds of these Bond issues to the Agency. The Authority is responsible for paying principal and interest on the Bonds; the Agency is responsible for making payments to the Authority in the amounts shown below.

## 7. LONG-TERM OBLIGATIONS (Continued)

The outstanding balances of loans payable to the Authority at June 30, 2006 came from the Bond issues listed below:

| | |
|---|---|
| JPFA Tax Allocation Revenue Bonds - 2000 Series A & B | $24,830,000 |
| JPFA Tax Allocation Revenue Bonds - 2003 Series A & B | 27,151,000 |
| JPFA Tax Allocation Revenue Bonds - 2004 Series A & B | 14,965,000 |
| **Total** | $66,946,000 |

**Loan from the Richmond Joint Powers Financing Authority (Authority) dated November 1, 2000.**

In 2000, the Authority issued the 2000 Housing Set-Aside Tax Allocation Bonds Series A and Series B in the original amount of $31,515,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements of the Agency. Under the terms of the loan agreement between the Agency and the Authority dated November 1, 2000, repayment of the loan is being made from certain tax increment revenues derived from certain redevelopment areas.

The annual debt service on this loan as of June 30, 2006 is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $1,480,000 | $1,428,146 | $2,908,146 |
| 2008 | 1,545,000 | 1,355,733 | 2,900,733 |
| 2009 | 1,625,000 | 1,272,164 | 2,897,164 |
| 2010 | 1,710,000 | 1,185,101 | 2,895,101 |
| 2011 | 1,800,000 | 1,098,650 | 2,898,650 |
| 2012-2016 | 10,475,000 | 3,951,543 | 14,426,543 |
| 2017-2021 | 5,785,000 | 874,715 | 6,659,715 |
| 2022-2026 | 245,000 | 73,381 | 318,381 |
| 2027-2030 | 165,000 | 20,170 | 185,170 |
| **Total** | $24,830,000 | $11,259,603 | $36,089,603 |

**Loan from the Authority dated August 1, 2003.**

In 2003, the Authority issued 2003 Tax Allocation Revenue Bonds Series A and Series B in the original amount of $28,580,000. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements and to repay the City of Richmond $18,000,000 in partial payment of prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

## 7. LONG-TERM OBLIGATIONS (Continued)

The annual debt service on this loan as of June 30, 2006 is as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | | $1,515,771 | $1,515,771 |
| 2008 | | 1,515,771 | 1,515,771 |
| 2009 | $780,000 | 1,502,012 | 2,282,012 |
| 2010 | 810,000 | 1,472,834 | 2,282,834 |
| 2011 | 840,000 | 1,440,250 | 2,280,250 |
| 2012-2016 | 4,790,000 | 6,576,651 | 11,366,651 |
| 2017-2021 | 7,050,000 | 5,137,873 | 12,187,873 |
| 2022-2026 | 12,881,000 | 2,378,591 | 15,259,591 |
| Total | $27,151,000 | $21,539,753 | $48,690,753 |

**Loan from the Authority dated October 1, 2004.**

In 2004, the Authority issued the 2004 Tax Allocation Revenue Bonds Series A and Series B in the original amounts of $15,000,000 and $2,000,000, respectively. The net proceeds of the bond issue were loaned to the Agency to provide funding for certain capital improvements, low/moderate income housing and to repay the City of Richmond $6,367,031 in prior obligations. Under the terms of the loan agreement between the Agency and the Authority dated August 1, 2003, repayment of the loan is being made from certain tax increment revenues pledged by the Agency for the purpose of loan repayment.

The annual debt service requirements for these loans as of June 30, 2006 are as follows:

| For the Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $215,000 | $837,261 | $1,052,261 |
| 2008 | 215,000 | 831,229 | 1,046,229 |
| 2009 | 225,000 | 824,434 | 1,049,434 |
| 2010 | 230,000 | 816,766 | 1,046,766 |
| 2011 | 235,000 | 808,290 | 1,043,290 |
| 2012-2016 | 1,355,000 | 3,880,153 | 5,235,153 |
| 2017-2021 | 4,745,000 | 3,313,002 | 8,058,002 |
| 2022-2026 | 4,090,000 | 2,011,442 | 6,101,442 |
| 2027 | 3,655,000 | 145,105 | 3,800,105 |
| Total | $14,965,000 | $13,467,682 | $28,432,682 |

**Notes Payable**

Notes payable at June 30, 2006 consisted of the following:

| | |
|---|---|
| Wells Fargo Loan | $500,000 |
| CHFA Help Loans | 2,617,155 |
| HUD Section 108 Loans | 6,500,000 |
| CERF Loan | 1,616,676 |
| **Total** | $11,233,831 |

## 7. LONG-TERM OBLIGATIONS (Continued)

### Wells Fargo Loan – Original Amount $500,000

The Agency entered into a loan agreement with Wells Fargo Bank for an original amount of $500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City's jurisdiction. Interest rate on the loan is fixed at 1.5% for the first 10 years and adjustable to a fixed rate 3.5% below the ten year U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

The annual debt service requirements on the Wells Fargo note are as follows:

| For the Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2007 | | $7,500 | $7,500 |
| 2008 | | 7,500 | 7,500 |
| 2009 | | 7,500 | 7,500 |
| 2010 | | 7,500 | 7,500 |
| 2011 | | 7,500 | 7,500 |
| 2012-2016 | | 37,500 | 37,500 |
| 2017 | $500,000 | 7,500 | 507,500 |
| **Total** | $500,000 | $82,500 | $582,500 |

### CHFA Help Loans – Original Amounts $1,500,000 and $1,000,000

The Redevelopment Agency (RDA) entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loans are due 10 years from the date of each loan. The loans bear a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2006 the Agency drew down proceeds of $1,000,000 and interest accrued to principal totaled $45,000.

### HUD Section 108 – Original Amount $3,000,000

In fiscal 2004, the City entered to a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

## 7. LONG-TERM OBLIGATIONS (Continued)

**HUD Section 108 – Original Amount $3,500,000**

In fiscal 2006, the City received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

**CERF Loan – Original Amount $4,500,000**

In fiscal 2006, the City received a loan from the Continental Environmental Redevelopment Fund to finance the costs of an environmental remediation program. Interest is payable quarterly. The loan is due in full in March 2007, with the option to extend the agreement for two additional years. As of June 30, 2006, the balance outstanding was $1,616,676.

**Debt Without Agency or City Commitment**

A special assessment district has been established in a part of the Agency to provide improvements to properties located in that district. Properties in the district are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The Agency is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance Agency funds to repay these debts in the event of default.

At June 30, 2006, one District, Marina Westshore Community Facilities District No. 1998-1, had issued Community Facilities District No. 1998-1 Special Tax Bonds which had a remaining balance outstanding at that date of $4,070,000.

## 7. LONG-TERM OBLIGATIONS (Continued)

### Conduit Debt

### 2003 Variable Rate Demand Multifamily Housing Revenue Refunding Bonds

On August 27, 2003, the Agency assisted Bridge Housing Acquisitions, Inc., in the issuance of Variable Rate Demand Multifamily Housing Revenue Refunding Bonds. The proceeds were used to repay existing obligations and rehabilitate The Summit at Hilltop, a 240-unit multifamily rental housing project. This debt issue is secured solely by the property financed by the debt. The Agency is not legally or morally obligated to pay this debt or be the purchaser of last resort of any foreclosed properties secured by this debt, nor is it obligated to advance Agency funds to repay this debt in the event of default. At June 30, 2006, the balance of this debt was $14,375,000.

## 8. DEFICIT NET ASSETS

At June 30, 2006, restrictions of net assets were as follows:

| | |
|---|---|
| Restricted net assets: | |
| Debt service | $2,478,820 |
| Low and moderate income housing | 11,674,830 |
| Unrestricted | (15,476,881) |
| **Total net assets** | ($1,323,231) |

The unrestricted net assets had a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition, the capital assets are turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

## 9. COMMITMENTS AND CONTINGENCIES

### Litigation

*During fiscal year 2006, the Agency settled a claim against prior property owners of the* Terminal One parcel for pollution. The Agency received a settlement reimbursement of $4.2 million which will be used to offset the Agency's costs of clean up at the site.

In addition to the above, the Agency is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In the Agency management's opinion, the outcome of these matters will not have a significant adverse effect on the Agency's financial position.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## REQUIRED SUPPLEMENTARY INFORMATION

RICHMOND REDEVELOPMENT AGENCY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Budget | | | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Use of money and property | | $587,000 | $796,779 | $209,779 |
| Other | | | 3,279,158 | 3,279,158 |
| Total Revenues | | 587,000 | 4,075,937 | 3,488,937 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Housing and redevelopment | $6,289,611 | 6,516,739 | 4,968,923 | 1,547,816 |
| Debt Service | | | | |
| Interest and fiscal charges | | | 1,516,464 | (1,516,464) |
| Total Expenditures | 6,289,611 | 6,516,739 | 6,485,387 | 31,352 |
| *EXCESS (DEFICIENCY) OF REVENUES* | | | | |
| OVER EXPENDITURES | (6,289,611) | (5,929,739) | (2,409,450) | 3,520,289 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in from the City | | | 1,000,268 | 1,000,268 |
| Transfers in | | | 3,824,563 | 3,824,563 |
| Transfers (out) | | (387,000) | (1,601,000) | (1,214,000) |
| Total other financing sources (uses) | | (387,000) | 3,223,831 | 3,610,831 |
| NET CHANGE IN FUND BALANCE | ($6,289,611) | ($6,316,739) | 814,381 | $7,131,120 |
| BEGINNING FUND BALANCE | | | 1,619,303 | |
| ENDING FUND BALANCE | | | $2,433,684 | |

## NOTES TO BUDGETARY COMPARISON SCHEDULE

### Budgets and Budgetary Accounting

The Agency adopts a budget annually to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the Agency Board.

An operating budget is adopted each fiscal year for the General Special Revenue Fund. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects are budgeted by the Agency Board over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data. Debt Service expenditures are made in accordance with debt payment schedules included in the official statements for the outstanding bonds.

Expenditures are controlled at the fund level for all budgeted departments within the Agency. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual include budget amendments approved by Agency Board.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP)

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the Agency Board. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the Agency Board.

RICHMOND REDEVELOPMENT AGENCY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

| | DEBT SERVICE FUNDS | | | | |
|---|---|---|---|---|---|
| | Pilot | Harbour Gate | Hensley | Nevin Center | North Richmond |
| ASSETS | | | | | |
| Cash and investments | $5,984 | $301,395 | $620,678 | $157,998 | $98,186 |
| Receivables: | | | | | |
| Interest | 420 | 2,422 | 5,946 | 388 | 305 |
| Advances to other funds | | | | | |
| Total Assets | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Reserved for: | | | | | |
| Debt service | | | | | |
| Advances to other funds | | | | | |
| Unreserved, undesignated | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |
| Total Fund Balances | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |

| DEBT SERVICE FUNDS | | | | CAPITAL PROJECTS FUND | |
|---|---|---|---|---|---|
| Wells Fargo | RDA 2004A TARB Debt Services | Housing 2004A TARB Debt Services | Housing 2004B TARB Debt Services | Hensley | Total Nonmajor Governmental Funds |
| $2,823 | $4,043 | $2,016 | $610 | $39,338 | $1,233,071 |
| 37 | 435 | 215 | 64 | | 10,232 |
| | | | | 103,685 | 103,685 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |
| $2,860 | $4,478 | $2,231 | $674 | | $10,243 |
| | | | | $103,685 | 103,685 |
| | | | | 39,338 | 1,233,060 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |

RICHMOND REDEVELOPMENT AGENCY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

| | DEBT SERVICE FUNDS | | | | |
|---|---|---|---|---|---|
| | Pilot | Harbour Gate | Hensley | Nevin Center | North Richmond |
| REVENUES | | | | | |
| Property | $90,054 | $500,902 | $1,431,042 | $112,684 | $77,110 |
| Use of money and property | 1,964 | 10,475 | 26,141 | 1,794 | 1,389 |
| Total Revenues | 92,018 | 511,377 | 1,457,183 | 114,478 | 78,499 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Housing and redevelopment | 8,389 | 46,164 | 151,542 | 10,829 | 7,444 |
| Debt Service: | | | | | |
| Principal | | | | | |
| Interest and fiscal charges | | | | | |
| Total Expenditures | 8,389 | 46,164 | 151,542 | 10,829 | 7,444 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 83,629 | 465,213 | 1,305,641 | 103,649 | 71,055 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | 113,249 | | |
| Transfers (out) | (80,000) | (548,406) | (1,888,161) | (35,516) | (32,771) |
| Total Other Financing Sources (Uses) | (80,000) | (548,406) | (1,774,912) | (35,516) | (32,771) |
| NET CHANGE IN FUND BALANCES | 3,629 | (83,193) | (469,271) | 68,133 | 38,284 |
| BEGINNING FUND BALANCES | 2,775 | 387,010 | 1,095,895 | 90,253 | 60,207 |
| ENDING FUND BALANCES | $6,404 | $303,817 | $626,624 | $158,386 | $98,491 |

| DEBT SERVICE FUNDS | | | | CAPITAL PROJECTS FUND | |
|---|---|---|---|---|---|
| Wells Fargo | RDA 2004A TARB Debt Services | Housing 2004A TARB Debt Services | Housing 2004B TARB Debt Services | Hensley | Total Nonmajor Governmental Funds |
| | | | | | $2,211,792 |
| $405 | $30,914 | $15,450 | $5,932 | $700 | 95,164 |
| 405 | 30,914 | 15,450 | 5,932 | 700 | 2,306,956 |
| | | | | | 224,368 |
| | 173,333 | 86,667 | 75,000 | | 335,000 |
| 7,500 | 514,811 | 257,655 | 76,263 | | 856,229 |
| 7,500 | 688,144 | 344,322 | 151,263 | | 1,415,597 |
| (7,095) | (657,230) | (328,872) | (145,331) | 700 | 891,359 |
| | 661,708 | 331,103 | 146,005 | | 1,252,065 |
| | | | | | (2,584,854) |
| | 661,708 | 331,103 | 146,005 | | (1,332,789) |
| (7,095) | 4,478 | 2,231 | 674 | 700 | (441,430) |
| 9,955 | | | | 142,323 | 1,788,418 |
| $2,860 | $4,478 | $2,231 | $674 | $143,023 | $1,346,988 |

RICHMOND REDEVELOPMENT AGENCY
AGENCY FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Balance June 30, 2005 | Additions | Reductions | Balance June 30, 2006 |
|---|---|---|---|---|
| Marina Westshore CFD 1998-1 | | | | |
| Cash and investments | | $663,231 | $322,692 | $340,539 |
| Restricted cash and investments | $332,070 | 10,594 | | 342,664 |
| Accounts receivable | 329,051 | | 329,051 | |
| Interest receivable | 1,007 | | 2,022 | (1,015) |
| Total Assets | $662,128 | $673,825 | $653,765 | $682,188 |
| Due to assessment district bondholders | $662,128 | $673,825 | $653,765 | $682,188 |

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Governing Board
Richmond Redevelopment Agency
Richmond, California

We have audited the financial statements of the Richmond Redevelopment Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We have conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, except as noted below in the Schedule of Current Year Findings, that are required to be reported under *Government Auditing Standards.*

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.

Maze and Associates

December 15, 2006

[THIS PAGE INTENTIONALLY LEFT BLANK]

## SCHEDULE OF CURRENT YEAR FINDINGS

**Finding 06-1:**

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2005 with the State Controller's Report as of December 31, 2005, as required under Health and Safety Code Section 33080.1. The report was filed on May 12, 2006.

**Redevelopment Agency Response:**

The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance. The Agency will be filing these reports by December 31, 2006 for FY06.

**Finding 06-2:**

Health and Safety Code Section 33418 requires that the Agency have property owners or managers of housing involving Agency funding to submit an annual report to the Agency. We selected the Agency's three projects funded by the Low and Moderate Income Housing Capital Projects Fund to test for this compliance requirement. Only one of the reports included the information required by Health and Safety Code Section 33418. The Agency should require property owners or managers to submit the required reports annually and review the reports for compliance.

**Redevelopment Agency Response:**

The Agency has started its monitoring processes and will continue to enhance these processes. The Agency will also consider going out to bid to do more active monitoring of homeownership units.

## SCHEDULE OF PRIOR YEAR FINDINGS

**Finding 05-1:**

The Agency had not filed the Independent Auditor's report on financial statements and report on legal compliance for the year ended June 30, 2004 with the State Controller's Report as of December 31, 2004, as required under Health and Safety Code Section 33080.1.

**Current Status:**

The Agency sent the State Controller's Report on December 28, 2005 and the Independent Auditor report was sent on May 12, 2006. The Agency and the City are working together with Maze & Associates to prepare timely Independent Auditor reports and the report on legal compliance so these documents can accompany the State Controllers Report to meet the deadline of December 31.

**Finding 05-2:**

The Agency did not prepare a written determination showing that planning and administrative expenditures were necessary for the production, improvement or preservation of low and moderate income housing for the year ended June 30, 2004, as required by Health and Safety Code Section 33334.3(d).

**Current Status:**

The staff report accompanying the Agency's 2004-05 budget approved by the Agency Board on June 22, 2004 indicates that the determination that spending Low/Mod funds on administrative and planning costs was necessary for the production, improvement and preservation of low and moderate income housing. The RCRA will state the determination in writing in future budget reports.

**Finding 05-3:**

The Agency must require property owners or managers of such housing to submit an annual report to the Agency, as required under Health and Safety Code Section 33418. The Agency was unable to locate any annual reports from property owners or managers.

**Current Status:**

The Agency has started its monitoring processes and has submitted a monitoring binder to Maze & Associates for FY06. The Agency will also consider going out to bid to do more active monitoring of homeownership units. Also, see Finding 06-2

# APPENDIX J

# AUCTION PROCEDURES

## AUCTION PROCEDURES

TABLE OF CONTENTS


**Page**

ARTICLE I Definitions ..... J-1

ARTICLE II Auction Procedures ..... J-7

Section 2.01. Orders by Existing Owners and Potential Owners ..... J-7

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent ..... J-9

Section 2.03. Treatment of Orders by the Auction Agent ..... J-11

Section 2.04. Determination of Auction Period Rate ..... J-13

Section 2.05. Allocation of Bonds ..... J-14

Section 2.06. Notice of Auction Period Rate ..... J-16

Section 2.07. Index ..... J-17

Section 2.08. Miscellaneous Provisions Regarding Auctions ..... J-18

Section 2.09. Changes in Auction Period or Auction Date ..... J-18

SCHEDULE I TO EXHIBIT J ..... J-23

# AUCTION PROCEDURES

*Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall refer to the 2007 Series A Bonds.*

## ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Indenture, the following words and terms as used in this Exhibit B (hereinafter "this Exhibit") and elsewhere in the Indenture have the following meanings with respect to 2007 Series A Bonds in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" has the meaning set forth in Schedule I.

"ARB Conversion Date" means with respect to 2007 Series A Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARB Interest Rate Period and begin to bear interest at the Auction Period Rate.

"ARB Interest Payment Date" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Indenture to the contrary, the first ARB Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"ARB Interest Rate Period" means, for 2007 Series A Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"ARB Maximum Rate" has the meaning set forth in Schedule I.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

"Auction Agreement" means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with

respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means with respect to any 2007 Series A Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) . Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each ARB Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the ARB Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the ARB Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARB Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table

below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

| (A) When Auctions Occur on this day | (B) Auction Period Generally Begins this day | (C) Auction Periods Generally End this day |
|---|---|---|
| Friday | Monday | Sunday |
| Monday | Tuesday | Monday |
| Tuesday | Wednesday | Tuesday |
| Wednesday | Thursday | Wednesday |
| Thursday | Friday | Thursday |

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),

(ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the ARB Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARB Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the ARB Maximum Rate.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an ARB Interest Rate Period set forth in this Exhibit.

"Auction Rate" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the ARB Maximum Rate for such Series of Bonds.

"Available Bonds" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Agency and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Trustee that is in effect on the date of reference. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Deadline" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer

may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"Clerical Error" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Electronic Means" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of 2007 Series A Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent ~~may~~ consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an ARB Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a

Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an ARB Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"Hold Order" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"Index" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" means, notwithstanding anything else in the Indenture, while the 2007 Series A Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an ARB Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit B.

"Securities Depository" means, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee.

"Sell Order" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"Submission Deadline" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Agency pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Agency. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"Sufficient Clearing Bids" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"Winning Bid Rate" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

Section 2.01. *Orders by Existing Owners and Potential Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in

clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the ARB Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held

by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 2.02. *Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the the Agency, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer

Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03. *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee has been called for redemption on or prior to the ARB Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04. *Determination of Auction Period Rate.* (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the ARB Maximum Rate is not a fixed interest rate, the ARB Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the

new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the ARB Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the ARB Maximum Rate and the Auction Period shall be a seven-day Auction Period. In the event that the 2007 Series A Bonds bear interest at the ARB Maximum Rate for the lesser of 3 consecutive Auction periods or 90 days, the Agency will use best efforts to cause a conversion to another Auction Period or an Interest Rate Period acceptable to the 2007 Series A Bond Insurer.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the ARB Maximum Rate.

Section 2.05. *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid

Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 2.06. *Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Agency and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07. *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Agency, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARB Interest Rate Period with respect to each Series of Bonds, the provisions of the Indenture and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, ARB Interest Payment Date, ARB Maximum Rate, Auction Period Rate and Auction Rate, may be amended as follows pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate, provided that, if any such amendment shall affect the rights or obligations of the Owners or the 2007 Series A Bond Insurer, such change shall require the prior written consent of the 2007 Series A Bond Insurer. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Agency, the 2007 Series A Bond Insurer and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Trustee that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Trustee within 90 days after the Trustee receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Agency shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Agency and the Trustee.

During an ARB Interest Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. *Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any ARB Interest Rate Period, the Agency, may, from time to time on the ARB Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order

to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Agency shall initiate the change in the length of the Auction Period by giving written notice to the 2007 Series A Bond Insurer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the ARB Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARB Interest Rate Period, the Auction Agent, at the direction of the Agency, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Agency's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Agency and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the ARB Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any ARB Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers, and, if there is not a majority, as the Auction Agent in its sole discretion shall determine is appropriate.

SCHEDULE I TO EXHIBIT J

Definitions

"Agency" means the Richmond Community Redevelopment Agency.

"All Hold Rate" means, as of any Auction Date, __% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and __% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"ARB Interest Payment Date" includes the first ARB Interest Payment Date which shall be _____, for the 2007 Series A Bonds.

"ARB Maximum Rate" means twelve percent (12%) per annum.

"Auction Agent" shall initially be [Union Bank of California, N.A.]

"Auction Date" shall include as part of the definition the first Auction Date which shall be _____ for the 2007 Series A Bonds.

"Auction Period" shall include in the *Six-month Auction Period* either February 28 or October 31.

"Broker-Dealer" selection by the Agency must be consented to by the Agency and the 2007 Series A Bond Insurer (noting that the initial Broker-Dealer is acceptable).

"Index" means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less _____. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by Agency and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Agency. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" means the period from the Closing Date to but not including _____, 2007 with respect to the 2007 Series A Bonds.

Auction Procedures

*Determination of Auction Period Rate.* The percentage of the Index in Section 2.04(c) is ___% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and __% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

## APPENDIX K

## TABLE OF ACCRETED VALUES

[To come]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

# RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he is the duly authorized officer of the Richmond Community Redevelopment Agency (the "Agency"), and as such is duly authorized to execute and deliver this Certificate and further hereby certifies on behalf of the Agency as follows:

(1) This Certificate is delivered in connection with the offering and sale of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), Series 2007A and Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds (Merged Project Areas) (Taxable), Series 2007B (collectively, the "Bonds") in order to enable RBC Capital Markets, in connection with the offering of the Bonds, to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated June 19, 2007, setting forth information concerning the Bonds and the Agency (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for Permitted Omissions, deemed final within the meaning of the Rule.

Dated: June 19, 2007

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**

By: _____
Authorized Officer

**$65,400,000**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) 2007 SERIES A**

**$9,772,621.50**
**RICHMOND COMMUNITY REDEVELOPMENT AGENCY HOUSING SET-ASIDE SUBORDINATE TAX ALLOCATION BONDS (MERGED PROJECT AREAS) (TAXABLE) 2007 SERIES B**

# TRANSCRIPT OF PROCEEDINGS

## A. BASIC LEGAL DOCUMENTS

1. Resolution No. 07-9, entitled "A Resolution of the Board of the Richmond Community Redevelopment Agency Authorizing the Issuance, Sale and Delivery of Not to Exceed $70,000,000 of its Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), and Not to Exceed $11,000,000 of its Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds, and Approving the Forms and Substance of Master Non-Housing and Housing Indentures, Supplemental Indentures, an Interest Rate Swap and Related Agreements, Bond Purchase Agreements, Continuing Disclosure Certificates and Official Statements, and Making Findings in Connection Therewith as Required Under California Community Redevelopment Law, and Authorizing the Execution and Delivery Thereof, and Authorizing Certain Other Actions in Connection with the Issuance, Sale and Delivery of Such Bonds," adopted on June 5, 2007, and certified by the Clerk of the Agency. ***(Agency)***

2. Resolution No. 2-07, entitled "A Resolution of the Richmond Joint Powers Financing Authority Authorizing the Execution and Delivery of Bond Purchase Agreement by and among the Richmond Community Redevelopment Agency, the Richmond Joint Powers Financing Authority and RBC Capital Markets, Inc.," adopted on June 5, 2007, certified by the Secretary of the Richmond Joint Powers Financing Authority as of the closing date. ***(Authority)***

3. Resolution No. 54-07, entitled "A Resolution of the City Council of Richmond Approving the Issuance and Sale of Not to Exceed $70,000,000 of the Richmond Community Redevelopment Agency Subordinate Tax Allocation Bonds (Merged Project Areas), and Not to Exceed $11,000,000 of the Richmond Community Redevelopment Agency Housing Set-Aside Subordinate Tax Allocation Bonds and Making Finings in Connection Therewith as Required Under California Community Redevelopment Law," adopted on June 5, 2007, certified by the City Clerk of the City of Richmond (the "City") as of the closing date. ***(City)***

4. Indenture of Trust relating to the **Series 2007A Bonds**, dated as of July 1, 2007, by and between the Agency and Union Bank of California, N.A., as trustee (the "Trustee"). ***(Bond Counsel)***

5. First Supplemental Indenture of Trust relating to the **Series 2007A Bonds**, dated as of July 1, 2007, by and between the Agency and Trustee. ***(Bond Counsel)***

6. Indenture of Trust relating to the **Series 2007B Bonds**, dated as of July 1, 2007, by and between the Agency and the Trustee. ***(Bond Counsel)***

7. First Supplemental Indenture of Trust relating to the **Series 2007B Bonds**, dated as of July 1, 2007, by and between the Agency and Trustee. ***(Bond Counsel)***

## B. SALE DOCUMENTS

8. Preliminary Official Statement, dated June 19, 2007, relating to the Bonds. ***(Disclosure Counsel)***

9. Rule 15c2-12 Certificate of the Agency. ***(Disclosure Counsel)***

10. Bond Purchase Agreement, dated July 10, 2007 (the "Series 2007A Purchase Agreement"), by and among the Authority, the Underwriter and the Agency, relating to the Series 2007A Bonds. ***(Underwriter's Counsel)***

11. Bond Purchase Agreement, dated June 28, 2007 (the "Series 2007B Purchase Agreement"), by and among the Authority, the Underwriter and the Agency, relating to the Series 2007B Bonds. ***(Underwriter's Counsel)***

12. Official Statement, dated June 28, 2007, relating to the Bonds, and Supplement thereto, dated July 11, 2007. ***(Disclosure Counsel)***

13. Auction Agent Agreement relating to the **Series 2007A Bonds**, dated July 1, 2007, between the Trustee and the Wells Fargo Bank, N.A., as auction agent (the "Auction Agent"). ***(Bond Counsel)***

14. Certificate of Auction Agent. ***(Bond Counsel)***

15. Certificate of the City of Richmond. ***(Bond Counsel)***

16. Certificate of the Fiscal Consultant. ***(Bond Counsel)***

17. Continuing Disclosure Agreement of the Agency, dated as of July 12, 2007, relating to the Bonds. ***(Disclosure Counsel)***

18. Copy of DTC Blanket Issuer Letter of Representations. ***(Bond Counsel)***

19. Acknowledgments of Receipt of Reports of Proposed Debt Issuance from California Debt and Investment Advisory Commission ("CDIAC"), together with Proposed and Final Reports of Sale to CDIAC. ***(Bond Counsel)***

## C. SWAP DOCUMENTS

20. ISDA Master Agreement, dated as of June 26, 2007 (the "Master Agreement"), by and between Royal Bank of Canada, as counterparty (the "Swap Provider") and the Agency, together with: ***(Swap Provider's Counsel)***

    (a) Schedule to the Master Agreement, dated June 26, 2007; and

    (b) 2007 Confirmation, dated June 26, 2007.

21. Swap Provider's Authorizing Resolution and Incumbency. ***(Swap Provider's Counsel)***

22. Interest Rate Swap Insurance Policy (specimen copy), dated July 12, 2007. ***(Swap Insurer)***

23. Hedge Identification of the Agency, dated June 26, 2007. ***(Bond Counsel)***

24. Certificate of the Agency, dated as of July 12, 2007, pursuant to Section 5922 of the California Government Code. ***(Bond Counsel)***

25. Opinions of Swap Provider's Counsel (internal and external counsel). ***(Swap Provider's Counsel)***

26. Opinion of Bond Counsel Regarding the Swap. ***(Bond Counsel)***

27. Opinion of Agency Counsel Regarding the Swap. ***(Agency Counsel)***

28. Opinion of Counsel to Swap Insurer. ***(Swap Insurer's Counsel)***

## D. DOCUMENTS RELATING TO THE AGENCY

29. Incumbency and Signature Certificate of the Agency. ***(Bond Counsel)***

30. Certificate of the Agency. ***(Bond Counsel)***

31. Tax Certificate of the Agency, relating to the Series 2007A Bonds, including Exhibit A, Certificate of the Underwriter, Exhibit B, Identification of Swap by Issuer, with Confirmation, Exhibit C, Certificate of Swap Provider, and Exhibit D, Certificate of Insurer. ***(Bond Counsel)***

32. IRS Form 8038-G for the Series 2007A Bonds. ***(Bond Counsel)***

33. Written Orders of the Agency. ***(Bond Counsel)***

34. Requisition No. 1 of the Agency to the Trustee relating to the Series 2007A Bonds. ***(Bond Counsel)***

35. Requisition No. 1 of the Agency to the Trustee relating to the Series 2007B Bonds. ***(Bond Counsel)***

## E. DOCUMENTS RELATING TO THE AUTHORITY

36. Copy of Joint Exercise of Powers Agreement, dated December 1, 1989 (the "Joint Powers Agreement"), by and between the City and the Agency, certified by the Secretary of the Authority as of the closing date. ***(Bond Counsel)***

37. Initial Notice as to Joint Powers Agreement, stamped to reflect the filing with the California Secretary of State. ***(Bond Counsel)***

38. Statement of Facts Roster Filing, certified by the California Secretary of State and by the Contra Costa County Clerk. ***(Bond Counsel)***

39. Incumbency Certificate of the Authority. ***(Bond Counsel)***

40. Certificate of the Authority. ***(Bond Counsel)***

## F. DOCUMENTS RELATING TO THE TRUSTEE

41. Certificate of Union Bank of California, N.A., together with Authorizing Resolution and Incumbency Certificate. ***(Bond Counsel/Trustee)***

42. Trustee's Receipt and Certificate of Deposit. ***(Bond Counsel)***

43. Specimen Bonds. ***(Bond Counsel)***

## G. DOCUMENTS RELATING TO THE UNDERWRITER AND BROKER-DEALER

44. Uninsured Rating Letter of Standard & Poor's Ratings Service. ***(Underwriter)***

45. Receipt for Bonds. ***(Bond Counsel)***

46. Broker-Dealer Agreement, dated as of July 1, 2007, between the Auction Agent and the Underwriter. ***(Bond Counsel)***

47. Certificate of the Broker-Dealer. ***(Bond Counsel)***

## H. DOCUMENTS RELATING TO THE FINANCIAL GUARANTY INSURANCE POLICIES

48. Insurance and Reimbursement Agreement, between Bond Insurer and the Agency. ***(Swap Insurer's Counsel)***

49. Financial Guaranty Insurance Policy and Commitment relating to the **Series 2007A Bonds**. ***(Bond Insurer)***

50. Debt Service Reserve Surety Bond relating to the **Series 2007A Bonds**. ***(Bond Insurer)***

51. Financial Guaranty Agreement relating to the **Series 2007A Surety Bond**, between the Agency and the Bond Insurer, dated July 12, 2007. ***(Bond Insurer)***

52. Financial Guaranty Insurance Policy and Commitment relating to the **Series 2007B Bonds**. ***(Bond Insurer)***

53. Debt Service Reserve Surety Bond relating to the **Series 2007B Bonds**. ***(Bond Insurer)***

54. Financial Guaranty Agreement relating to the **Series 2007B Surety Bond**, between the Agency and the Bond Insurer, dated July 12, 2007. ***(Bond Insurer)***

55. Certificates of Insurer relating to certain statements in the Official Statement and certain tax matters. ***(Bond Insurer)***

56. Rating Letters of Standard & Poor's Ratings Service and Fitch Ratings. ***(Bond Insurer)***

## I. LEGAL OPINIONS

57. Opinion of Goldfarb & Lipman, as Agency Counsel. ***(Agency Counsel)***

58. Opinion of Interim City Attorney, as Authority Counsel. ***(Authority Counsel)***

59. Opinion of Interim City Attorney, as City Attorney. ***(City Attorney)***

60. Opinion of Lofton & Jennings. ***(Underwriter's Counsel)***

61. Opinions of Counsel to the Trustee. ***(Trustee's Counsel)***

62. Opinion of Counsel to the Auction Agent. ***(Auction Agent's Counsel)***

63. Opinions of Insurer's Counsel. ***(Insurer)***

64. Final Opinions of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel. ***(Bond Counsel)***

65. Supplemental Opinions of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel. ***(Bond Counsel)***

66. Reliance Letter of Orrick, Herrington & Sutcliffe LLP to Insurer. ***(Bond Counsel)***

67. Reliance Letter of Orrick, Herrington & Sutcliffe LLP to Trustee. ***(Bond Counsel)***

## J. MISCELLANEOUS

68. Closing Memoranda. ***(Bond Counsel and Underwriter)***

69. Interested Parties List. ***(Bond Counsel)***

70. Ordinance No. 15-07 N.S., introduced on May 15, 2007 and adopted on May 29, 2007 by the Council of the City of Richmond. ***(Bond Counsel)***

71. Final Pricing for the Bonds. ***(Underwriter)***

72. Certificate of the Agency Pursuant to Guaranty Agreement and Coverage Analysis. ***(Bond Counsel and Underwriter)***

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Housing Set-Aside**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**(Taxable)**
**2007 Series B**

On this CD we have supplied Adobe Acrobat Reader which you will need to view these documents.
To install Acrobat Reader open the “Reader” folder for Windows or Macintosh. Open the folder for your platform - Windows 3.1, Windows 95, Windows NT 3.5.1 or Macintosh. View the ReadMe file, which provides comprehensive installation instructions and system requirements. Install Reader
d double click on the document you wish to view. The Reader will automatically open along with the document.

The contents of the document may be accessed in two ways.

(1) An index on the left of the document; simply click on the arrows for each section title. Then click on the title of the page you wish to view.
(2) The Table of Contents within the document. Click on the title of the page you wish to view.

On this CD we have supplied Adobe Acrobat Reader which you will need to view these documents.
To install Acrobat Reader open the "Reader" folder for Windows or Macintosh. Open the folder for your platform - Windows 3.1, Windows 95, Windows NT 3.5.1 or Macintosh. View the ReadMe file, which provides comprehensive installation instructions and system requirements. Install Reader and double click on the document you wish to view. The Reader will automatically open along with the document.

The contents of the document may be accessed in two ways.
(1) An index on the left of the document; simply click on the arrows for each section title. Then click on the title of the page you wish to view.
(2) The Table of Contents within the document. Click on the title of the page you wish to view.

PROCEED

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**2007 Series A**

**RICHMOND COMMUNITY REDEVELOPMENT AGENCY**
**Housing Set-Aside**
**Subordinate Tax Allocation Bonds**
**(Merged Project Areas)**
**(Taxable)**
**2007 Series B**