

NEW ISSUE - FULL BOOK ENTRY ONLY

RATINGS: S&P: "AAA" (Insured)
"A-" (Underlying)
Fitch: "AA" (Insured)
"A-" (Underlying)
(See "RATINGS" herein)

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Bonds. See "TAX EXEMPTION" herein.



\$25,095,000
OAKLEY REDEVELOPMENT AGENCY
SUBORDINATE TAX ALLOCATION BONDS
SERIES 2008A
(OAKLEY REDEVELOPMENT PROJECT AREA)

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

The Subordinate Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area) (the "Bonds") of the Oakley Redevelopment Agency (the "Agency") will be issued as fully registered bonds in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive physical certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable on the Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2008, and principal payable on the Bonds will be paid by Wells Fargo Bank, National Association, San Francisco, California, as trustee for the Bonds (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds are being issued by the Agency for the purpose of (i) financing certain improvements in or benefiting the Oakley Redevelopment Project Area of the Agency (the "Project Area"), (ii) funding a reserve account for the Bonds, (iii) capitalizing certain interest on the Bonds, and (iv) paying the costs of issuing the Bonds.

The Bonds are limited obligations of the Agency payable solely from and secured by the Tax Revenues to be derived from the Project Area remaining after payment of certain obligations as described herein, and from the amounts on deposit in certain funds as described herein. The lien of the Bonds on Tax Revenues is subordinate to the lien of the Series 2003 Bonds (as defined herein). While the Agency has covenanted not to issue any additional obligations on parity with the Series 2003 Bonds, under certain conditions the Agency may issue additional obligations with a lien on Tax Revenues on parity with the lien of the Bonds.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS — Redemption" herein.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds (see "BOND INSURANCE" herein).

Ambac

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS," for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

THE BONDS ARE NOT A DEBT, OBLIGATION OR LIABILITY OF THE CITY OF OAKLEY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY), NOR DO THEY CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF ANY OF THE FOREGOING (INCLUDING THE AGENCY). THE AGENCY DOES NOT HAVE ANY TAXING POWER. 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 Oakley Public Finance Authority (the "Authority"). The Authority will resell the Bonds to the Underwriter.

The Bonds are offered, when, as and if issued and received by the Underwriter, subject to the approval of legality by Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by its general counsel. It is expected that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about May 9, 2008.



Dated: May 2, 2008

MATURITY SCHEDULE

\$9,675,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®</u>
2012	\$310,000	4.000%	3.480%	673639BB5
2013	350,000	4.000	3.610	673639BC3
2014	385,000	4.000	3.740	673639BD1
2015	425,000	4.000	3.880	673639BE9
2016	465,000	4.000	4.020	673639BF6
2017	510,000	4.000	4.160	673639BG4
2018	555,000	4.100	4.290	673639BH2
2019	570,000	4.250	4.410	673639BJ8
2020	585,000	4.300	4.520	673639BK5
2021	605,000	4.400	4.620	673639BL3
2022	625,000	4.500	4.700	673639BM1
2023	650,000	4.625	4.770	673639BN9
2024	670,000	4.700	4.840	673639BP4
2025	700,000	4.750	4.890	673639BQ2
2026	725,000	4.750	4.940	673639BR0
2027	755,000	4.800	4.990	673639BS8
2028	790,000	5.000	5.040	673639BT6

\$6,775,000 5.00% Term Bonds due September 1, 2033 - Yield: 5.14% (CUSIP®: 673639BU3)

\$8,645,000 5.00% Term Bonds due September 1, 2038 - Yield: 5.17% (CUSIP®: 673639BV1)

No dealer, broker, salesperson or other person has been authorized by the Oakley Redevelopment Agency or the Underwriter 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 the Agency, the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information set forth herein has been obtained from the Agency, the City of Oakley and other 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 Agency, the Agency or the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no changes in the affairs of the Agency or the Agency since the date hereof. All summaries of the Indenture or 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.

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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

OAKLEY REDEVELOPMENT AGENCY

BOARD OF DIRECTORS

Bruce Connelley, *Chair*
Carol Rios, *Vice Chair*
Pat Anderson, *Member*
Brad Nix, *Member*
Kevin Romick, *Member*

AGENCY AND CITY STAFF

Bryan Montgomery, *Executive Director/City Manager*
Paul Abelson, *Finance Director*
Alison Barratt-Green, Esq., *Agency Counsel and City Attorney*
Barbara Mason, *Redevelopment/Economic Development Director*

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Bond/Disclosure Counsel

Wells Fargo Bank, National Association
San Francisco, California
Trustee

Public Financial Management, Inc.
San Francisco, California
Financial Advisor

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

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OFFICIAL STATEMENT

\$25,095,000
OAKLEY REDEVELOPMENT AGENCY
SUBORDINATE TAX ALLOCATION BONDS
SERIES 2008A
(OAKLEY REDEVELOPMENT PROJECT AREA)

INTRODUCTION

General

This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the Oakley Redevelopment Agency (the "Agency") of \$25,095,000 aggregate principal amount of Subordinate Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area) (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Community Redevelopment Law. The Bonds are issued pursuant to a Trust Indenture, dated as of May 1, 2008 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Trustee").

The Bonds are being issued by the Agency for the purpose of (i) financing certain improvements in or benefiting the Oakley Redevelopment Project Area of the Agency (the "Project Area"), (ii) funding a reserve account for the Bonds, (iii) capitalizing certain interest on the Bonds, and (iv) paying the costs of issuing the Bonds. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Terms used in this Official Statement and not otherwise defined shall have the meaning given to them in APPENDIX A attached hereto.

The City and the Agency

The City of Oakley (the "City") is located in the County of Contra Costa (the "County"), and was incorporated on July 1, 1999 as a general law city. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. The City is located 55 miles east of San Francisco and 55 miles south of Sacramento. The City's estimated population as of January 1, 2007 was 31,906.

The Agency was established pursuant to provisions of the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000, of the Health and Safety Code of the State) (the "Law") by the County in 1989. Upon the incorporation of the City on July 1, 1999, the County transferred control of the Project Area to the Agency. The County adopted the Redevelopment Plan establishing the initial project area (the "Original Area") by Ordinance No. 89-89 on December 27, 1989 (the "Redevelopment Plan"). The Redevelopment Plan was amended on December 6, 1994 to conform to the provisions of AB 1290 (defined herein). The Redevelopment Plan was further amended on October 22, 2001 by Ordinance No. 17-01 to add approximately 621 acres (the "Added Area") to the Original Area's 916 acres. The Added Area began receiving tax increment revenue in Fiscal Year 2003/04. The Original Area and the Added Area are collectively referred to herein as the "Project Area". See "THE

REDEVELOPMENT PLAN” herein. Land use in the Project Area is primarily residential. See “THE PROJECT AREA” herein.

Security for the Bonds

The Law authorizes the financing of redevelopment projects through the issuance of bonds secured by incremental tax revenues. Using this financing method, the last equalized assessed valuations of the property within a project area prior to adoption of the redevelopment plan become the base year valuations. The increased tax revenues which result from the increase in assessed valuations between the base year and subsequent years and which are allocated to a redevelopment agency for the payment of debt may be pledged to the payment of debt service on obligations issued to finance the redevelopment project. “Tax Revenues” (as defined in “SECURITY FOR THE BONDS” herein), consist of a portion of such incremental tax revenues.

The Bonds are payable solely from, and are secured by, the Tax Revenues (as defined under “SECURITY FOR THE BONDS” herein), and from amounts on deposit in the Reserve Account and other funds and accounts pledged under the Indenture. The Agency has funded the Reserve Account for the Bonds so that the amount on deposit is equal to the Reserve Requirement. See “SECURITY FOR THE BONDS – Reserve Account” herein.

The lien of the Bonds on Tax Revenues is subordinate to payment of the Agency’s Taxable Tax Allocation Bonds, Series 2003 (Oakley Redevelopment Project Area) (the “Series 2003 Bonds”), originally issued in the principal amount of \$8,500,000, of which \$7,810,000 is currently outstanding. The Agency has covenanted not to issue any additional debt on parity with the Series 2003 Bonds. See “THE BONDS – Parity Debt” herein for a description of the conditions upon which the Agency may issue additional obligations with a lien on a parity with the Bonds with respect to the Tax Revenues. See also “SECURITY FOR THE BONDS” herein.

The Agency has no power to levy and collect taxes, and any legislative enactment or State constitutional amendment having the effect of reducing the property tax rate would necessarily reduce the amount of Tax Revenues available to pay the principal of and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additional factors affecting the availability of Tax Revenues are set forth under the caption “THE REDEVELOPMENT PLAN – Financial Limitations” below. See also “RISK FACTORS AND LIMITATIONS ON TAX REVENUES” for other matters which may affect the collection of Tax Revenues.

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the “Insurance Policy”) to be issued by Ambac Assurance Corporation (the “Insurer”) simultaneously with the issuance of the Bonds. See “BOND INSURANCE” herein. See also “RATINGS” herein.

Forward-Looking Statements

This Official Statement (including the appendices hereto) contains forward-looking statements, including (i) statements containing projections of Tax Revenues and other financial items, (ii) statements of future economic performance of the Project Area, and (iii)

statements of the assumptions underlying or relating to statements described in (i) and (ii) above, (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including, without limitation, statements under "THE PROJECT AREA," and "SECURITY FOR THE BONDS" and APPENDIX E regarding the financial position, capital resources and status of the Project Area, are Forward-Looking Statements. Although the Agency believes that the expectations reflected in such Forward-Looking Statements are reasonable, no one can be given assurance that such projections will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the Agency (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the Agency are expressly qualified in their entirety by the Cautionary Statements.

Summary of Terms

Brief descriptions of the Bonds, the Indenture, the Agency, the Project Area and the Redevelopment Plan are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Law and the Constitution and the laws of the State, as well as the proceedings of the Agency, the County and the City with respect to the Redevelopment Plan, the Project Area and the Bonds, are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the proceedings of the Agency referred to above, the Indenture and other documents described in this Official Statement are available for inspection at the offices of the Agency, 3231 Main Street, Oakley, CA 94561.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than 270 days after the end of its fiscal year (presently June 30) in each year commencing with its report for the 2007/08 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). 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 F - FORM OF CONTINUING DISCLOSURE AGREEMENT." While the Agency was late filing its initial annual report with respect to the Series 2003 Bonds, it has since been in compliance in all material respects with its previous undertakings with respect to the Rule. The Agency has retained NBS Government Finance Group, d/b/a NBS, as the dissemination agent for the Bonds.

THE PROJECT

General

A portion of the proceeds of the Bonds shall be used to finance various improvements within the Project Area, including street improvements, property acquisition, drainage improvements and parking facilities. The Agency has not yet prioritized the improvements which may be financed from the proceeds of the Bonds.

THE BONDS

Description of the Bonds

The Bonds will be issued only in the form of fully registered Bonds without coupons, in denominations of \$5,000 or any whole multiple thereof. The Bonds will be dated the date of delivery, will mature on September 1 in the years and in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the inside front cover hereof. Interest on the Bonds will be paid on March 1 and September 1 of each year, commencing September 1, 2008, by check mailed on the Interest Payment Date to the registered owners of the Bonds as of the applicable Record Date (the fifteenth day of the month preceding each Interest Payment Date), or by wire transfer of immediately available funds to any owner of at least \$1,000,000 in aggregate principal amount of Bonds at such wire transfer address as such owner provides to the Trustee not later than the 15th day of the month preceding the Interest Payment Date.

The principal of each Bond will be payable upon the surrender of such Bond, at maturity or upon redemption prior to maturity, at the principal corporate trust office of the Trustee in San Francisco, California.

Redemption

Optional Redemption. The Bonds maturing before September 1, 2019 are not subject to call and redemption prior to maturity. The Bonds maturing on or after September 1, 2019 shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole on any date or in part on any Interest Payment Date, among maturities as shall be determined by the Agency, and by lot within each maturity (each Bond being deemed to be composed of \$5,000 portions with each such portion being separately redeemable), from funds derived by the Agency from any source; on or after September 1, 2018, at the redemption price for each redeemed Bond equal to the principal amount thereof, with accrued interest to the date of redemption, without premium.

Sinking Account Redemption. (i) The Bonds maturing September 1, 2033 shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 2029, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below; provided, however, that if some but not all of such Bonds have been redeemed pursuant to optional redemption the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

2033 Term Bonds

<u>Payment Dates</u> <u>(September 1)</u>	<u>Amount</u>
2029	\$1,225,000
2030	1,290,000
2031	1,350,000
2032	1,420,000
2033 (Maturity)	1,490,000

(ii) The Bonds maturing September 1, 2038 shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 2034, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below; provided, however, that if some but not all of such Bonds have been redeemed pursuant to optional redemption the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

2038 Term Bonds

<u>Payment Dates</u> <u>(September 1)</u>	<u>Amount</u>
2034	\$1,565,000
2035	1,645,000
2036	1,725,000
2037	1,810,000
2038 (Maturity)	1,900,000

Purchase in Lieu of Redemption. The Agency may at any time buy Bonds at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Bonds so purchased, plus any applicable premium and any Bonds so purchased shall be tendered to the Trustee for cancellation. Term Bonds so purchased may be credited against sinking fund payments.

Notice of Redemption; Rescission. Notice of redemption shall be given by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to each of the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee on the date such Bonds are selected for redemption. Each notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the place or places of redemption; (d) state the CUSIP numbers of the Bonds to be redeemed, the individual number of each Bond to be redeemed or that all Bonds between two stated numbers (both inclusive) or that all of the Bonds are to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (e) state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the Owner thereof or by his attorney duly authorized in writing if payment is to be made to a person other than the Owner.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

When notice of redemption has been given and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Redemption Fund, and when interest accrued and to accrue to the redemption date has been set aside for that purpose in the Interest Account, the Bonds designated for redemption shall become due and payable on the redemption date thereof at the place specified in the notice of redemption. Such Bonds shall be redeemed and paid at said redemption price out of the Redemption Fund and no interest will accrue on such Bonds called for redemption from and after the redemption date specified in such notice. The Owners of said Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the premium thereon, if any, only to the Redemption Fund.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX G - BOOK ENTRY PROVISIONS" herein.

The Agency and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Parity Debt

The Agency has covenanted not to issue any obligations on parity with the Series 2003 Bonds, or any other obligation with a lien on Tax Revenues senior to the lien of the Bonds. In addition to the Bonds, the Agency is authorized by the Indenture to issue or incur Parity Bonds in such principal amount as shall be determined by the Agency subject to the following specific conditions precedent:

(a) A Certificate of the Agency is delivered to the Trustee to the effect that on and after the delivery of the Parity Bonds, the Agency shall be in compliance with all covenants set forth in the Indenture.

(b) Receipt of a certificate or opinion of an Independent Fiscal Consultant showing:

(i) For the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds and Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds; and

(ii) The Tax Revenues to be received by the Agency in each Fiscal Year during the term of the Parity Bonds, assuming no growth in assessed value, but taking into account all Plan Limitations and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year, plus at the option of the Agency,

the Additional Revenues in the Fiscal Year in which such Parity Bonds shall be issued; and

(iii) That the Tax Revenues referred to in (ii) above are at least equal to 1.25 times Annual Debt Service for each Bond Year on all Bonds and Parity Bonds to be outstanding following the issuance of the Parity Bonds (excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account as described below);

(iv) That, so long as the Series 2003 Bonds are outstanding, the sum of (x) Tax Revenues (including for purposes of this calculation amounts available to pay debt service on the Series 2003 Bonds), and (y) scheduled debt service payable on the Series 2003 Bonds, shall be at least equal to (z) 1.25 times Annual Debt Service on the Series 2003 Bonds, the Bonds, any outstanding Parity Bonds, Parity Bonds to be outstanding following the issuance of Parity Bonds (excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account as described below), for each Bond Year; and

(v) That the Tax Revenues referred to in (iv) above, based on 80% of the assessed value for the current Fiscal Year, shall be at least equal to 1.00 times Annual Debt Service on the Series 2003 Bonds, the Bonds, any outstanding Parity Bonds, Parity Bonds to be outstanding following the issuance of Parity Bonds (excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account as described below), for each Bond Year.

(c) In the event that such Parity Bonds shall bear interest at a variable rate (which shall only be permitted with the prior approval of the Insurer), for the purposes of meeting the requirements of the preceding clause (b), such Parity Bonds shall be assumed to bear interest at a fixed rate equal to the maximum rate permitted to be borne by such Parity Bonds under the Parity Bond Indenture providing for the issuance thereof, or the fixed rate to be paid by the Agency with respect to such variable rate Parity Bonds to the extent the Agency has entered into an interest rate hedge.

(d) The Parity Bond Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds, and (ii) the principal of such Parity Bonds shall be payable on September 1 in any year, as determined by the Agency, in which principal is payable.

(e) On the date of delivery of the Parity Bonds to the original purchaser thereof, there shall be deposited in a reserve account (including the Reserve Account if the Parity Bonds are issued pursuant to a supplement to the Indenture) money (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount necessary to increase the amount in such reserve account to the Reserve Requirement for such Parity Bonds, calculated on the same basis as the Reserve Requirement for the Bonds.

(f) A Certificate of the Agency is delivered to the Trustee to the effect that the issuance of such Parity Bonds shall not cause the Agency to exceed any applicable Plan Limitations.

(g) The Agency shall deliver to the Trustee a Certificate of the Agency (which may be based in part on an opinion of Bond Counsel), that the conditions precedent to the issuance of such Parity Bonds set forth in the foregoing paragraphs (a) through (f) above have been satisfied.

Notwithstanding anything in the Indenture to the contrary, the Agency may issue Parity Bonds for the purpose of refunding in whole or in part one or more series of Outstanding Bonds or Parity Bonds without complying with subparagraph (b) above if Annual Debt Service for such Bonds or Parity Bonds is reduced as a result of such refunding in each year.

For the purposes of the issuance of Parity Bonds, Outstanding Bonds or Parity Bonds shall not include any Bonds or Parity Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the Parity Bond Indenture authorizing issuance of such Parity Bonds shall provide that: (A) such proceeds shall be deposited or invested with or secured by an institution rated "AA" by S&P or "Aa" 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 Annual Debt Service on the foregoing Bonds or Parity Bonds; (B) moneys may be transferred from said escrow fund only if the Parity Bonds test set forth in paragraph (b)(iv) above is met with respect to the amounts to be transferred from the escrow fund; and (C) Parity 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.

Subordinate Debt. In addition to the Bonds and any Parity Bonds, from time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that prior to the issuance or incurrence of such Subordinate Debt, a Certificate of the Agency is delivered to the Trustee to the effect that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitation.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds are estimated as follows:

Sources of Funds:

Principal Amount of Bonds	\$25,095,000.00
Net Original Issue Discount	<u>(469,185.80)</u>
TOTAL SOURCES	\$24,625,814.20

Uses of Funds:

Transfer to Project Fund	\$20,242,391.89
Deposit to Interest Account ⁽¹⁾	1,574,198.67
Deposit to Reserve Account ⁽²⁾	1,999,750.00
Deposit to Costs of Issuance Fund ⁽³⁾	<u>809,473.64</u>
TOTAL USES	\$24,625,814.20

(1) Capitalized interest from the Closing Date until September 1, 2009.

(2) Amount of initial Reserve Requirement.

(3) Includes Underwriter's discount, fees and expenses of Bond Counsel, Disclosure Counsel and the financial advisor, premium for the Insurance Policy and other costs of issuing the Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the amount of debt service with respect to the Bonds for each twelve-month Bond Year of the Agency ending on September 1:

<u>Year</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2008	\$ 0	\$ 373,539	\$ 373,539
2009	0	1,200,660	1,200,660
2010	0	1,200,660	1,200,660
2011	0	1,200,660	1,200,660
2012	310,000	1,200,660	1,510,660
2013	350,000	1,188,260	1,538,260
2014	385,000	1,174,260	1,559,260
2015	425,000	1,158,860	1,583,860
2016	465,000	1,141,860	1,606,860
2017	510,000	1,123,260	1,633,260
2018	555,000	1,102,860	1,657,860
2019	570,000	1,080,105	1,650,105
2020	585,000	1,055,880	1,640,880
2021	605,000	1,030,725	1,635,725
2022	625,000	1,004,105	1,629,105
2023	650,000	975,980	1,625,980
2024	670,000	945,918	1,615,918
2025	700,000	914,428	1,614,428
2026	725,000	881,178	1,606,178
2027	755,000	846,740	1,601,740
2028	790,000	810,500	1,600,500
2029	1,225,000	771,000	1,996,000
2030	1,290,000	709,750	1,999,750
2031	1,350,000	645,250	1,995,250
2032	1,420,000	577,750	1,997,750
2033	1,490,000	506,750	1,996,750
2034	1,565,000	432,250	1,997,250
2035	1,645,000	354,000	1,999,000
2036	1,725,000	271,750	1,996,750
2037	1,810,000	185,500	1,995,500
2038	<u>1,900,000</u>	<u>95,000</u>	<u>1,995,000</u>
TOTALS	\$25,095,000	\$26,160,096	\$51,255,096

SECURITY FOR THE BONDS

General

The Bonds are secured by an irrevocable pledge of the Tax Revenues (as defined in "Tax Revenues" below), and all funds and accounts pledged under the Indenture. The Tax Revenues shall be applied, on a parity basis, to the payment of the principal of, premium, if any, and interest on the Bonds and any Parity Bonds issued pursuant to the Indenture, and to maintain the Reserve Account in an amount equal to the Reserve Requirement. The lien of the Bonds on Tax Revenues is subordinate to the lien of the Series

2003 Bonds, currently outstanding in the principal amount of \$7,810,000. See "THE BONDS – Parity Debt" herein for a description of the conditions upon which the Agency may issue additional obligations with a lien on a parity with the Bonds with respect to the Tax Revenues. Assessed valuation of taxable property in the Project Area for Fiscal Year 2007/08 is approximately \$502,813,688, which is \$400,246,557 greater than the adjusted "base year" of the Project Area. Approximately \$466,962,732 (92.9%) of the Fiscal Year 2007/08 assessed value is attributable to the Original Area, and \$35,850,956 (7.1%) is attributable to the Added Area. See "THE PROJECT AREA" herein.

See APPENDIX A hereto for a summary of the terms of the Indenture.

Limited Obligations

The Bonds are not a debt of the City of Oakley (the "City"), the State or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions, other than the Agency, is liable therefor. The principal of, premium, if any, and interest on the Bonds are payable solely from the Tax Revenues. The Agency's obligations under the Indenture are a limited obligation payable solely from the Tax Revenues allocated to the Agency and from other amounts pledged under the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

Tax Allocation Financing

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

Tax Revenues

Under California law, the rate of *ad valorem* property taxes which may be levied with respect to property within a Project Area is generally limited to 1% of the "full cash" assessed value. In this Official Statement such taxes are referred to as the "general levy" and are allocated to the State, the County of Contra Costa (the "County"), the City and all other taxing entities having jurisdiction over all or a portion of the Project Area. The assessed values of property within the Project Area, as last equalized prior to adoption of the Redevelopment Plan as to the Original Area or, as to the Added Area, prior to adoption of the Redevelopment Plan amendment which added that area to the Project Area, become the "base year" assessed values. Therefore, the base year with respect to the Project Area (the "Base Year") is different for the Original Area (Fiscal Year 1989/90), and the Added Area (Fiscal Year 2001/02) to reflect the original adoption of the Redevelopment Plan, along with the amendment to the Redevelopment Plan which added additional territory.

As provided in the Redevelopment Plan, and pursuant to the Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "Taxing Agencies") for fiscal years beginning after the effective date of the Redevelopment Plan, are divided as follows:

1. **To Taxing Agencies:** That portion of the taxes which would be produced by the tax rate levied each year by or for each of said Taxing Agencies on the total assessed value of the taxable property in the Project Area, as shown upon the assessment roll last equalized prior to the ordinance approving the Redevelopment Plan or amendments (the "Base Year Amount"), shall be allocated to, and when collected, shall be paid into the funds of the respective Taxing Agencies as taxes by or for said Taxing Agencies; and

2. **To the Agency:** Except for taxes attributable to a tax rate levied by a Taxing Agency for the purpose of repaying bonded indebtedness approved by its voters after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective Taxing Agency, the portion of said levied taxes each year in excess of such Base Year Amount shall be allocated to, and when collected shall be paid to, a special fund of the Agency to pay principal of and interest on loans, moneys advanced to, or indebtedness incurred by the Agency to finance or refinance improvements within the Project Area. Such portion, subject to such exclusions and deductions as are set forth in proceedings for the adoption of the Redevelopment Plan, is generally herein referred to as "Incremental Tax Revenues."

The Agency has no power to levy and collect taxes, and any provision of law limiting property taxes or allocating additional sources of income to Taxing Agencies and having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds. Likewise, broadened property tax exemptions could have a similar effect (see "RISK FACTORS AND LIMITATIONS ON TAX REVENUES" below). Additionally, Tax Revenues will be reduced each year by a collection fee charged by the County. See "RISK FACTORS AND LIMITATIONS ON TAX REVENUES -- Property Tax Administrative Costs" herein.

Conversely, any increase in assessed valuation or the present tax rate (other than by reason of certain voter approved bonded indebtedness), or any reduction or elimination of present property tax exemptions, would increase the Tax Revenues available to pay debt service on the Bonds (see "RISK FACTORS AND LIMITATIONS ON TAX REVENUES" for discussion of the Constitutional constraints of increasing tax rates and assessed valuation).

"Tax Revenues" are generally defined in the Indenture as amounts remaining after payment of all amounts required to be paid pursuant to the Senior Lien Indenture from all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date within the Plan Limitations pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan payable to or retained by the Agency, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Law, but only to the extent such amounts are specifically pledged to the payment of principal, interest and premium (if any) with respect to the Bonds and any Parity Bonds, but excluding (i) all amounts of such taxes required to be

deposited in the Low and Moderate Income Housing Fund (and not includable as set forth in (b) above), (ii) all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Agreements to the extent such Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments, and (iii) amounts, if any, payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, with the resulting amount reduced by all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Statutes to the extent such Tax Sharing Statutes create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments.

As described below under “THE REDEVELOPMENT PLAN -- Alleviation of Financial Burden of Taxing Entities,” the Agency may pay a portion of the Incremental Tax Revenues to other Taxing Agencies. See also “Tax Sharing Agreements” below for a description of existing agreements with a lien on Incremental Tax Revenues subordinate to the lien of the Bonds.

See “THE PROJECT AREA” herein for a discussion of the various limitations on the total aggregate amount of Incremental Tax Revenues which may be derived from the Project Area. Incremental Tax Revenues will not include any special taxes levied by or on behalf of any Taxing Agency having jurisdiction over all or a portion of the Project Area. See “THE REDEVELOPMENT PLAN – Financial Limitations” herein. Pursuant to the Tax Sharing Agreements (defined below), a portion of Incremental Tax Revenue derived from the Project Area is paid to certain Taxing Agencies (see “The Tax Sharing Agreements” below).

The Agency has retained HdL Coren & Cone (the “Fiscal Consultant”) to prepare a Fiscal Consultant Report for the Project Area, a copy of which is attached hereto as APPENDIX E. (See “THE PROJECT AREA - Projected Tax Revenues” and “RISK FACTORS AND LIMITATIONS ON TAX REVENUES - Estimated Revenues” herein).

The Tax Sharing Agreements

Pursuant to certain agreements between the Agency and certain Taxing Agencies (the “Tax Sharing Agreements”), the Agency has agreed that a portion of Incremental Tax Revenues derived by the Agency from the Project Area shall annually be distributed to the such Taxing Agencies, to alleviate the fiscal impact of the Project Area. The Agency’s obligation to make payments to the Mosquito District, the Fire Protection District, the Antioch Unified School District, the Oakley Union School District and the Liberty High School District under the respective agreements are subordinate to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the Bonds. The Tax Sharing Agreements generally provides the following:

East Contra Costa Fire Protection District. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the East Contra Costa Fire Protection District, as successor to the Oakley Fire Protection District dated as of December 21, 1989, the Agency has agreed to pay one hundred percent of the portion of tax increment that would have been paid to the East Contra Costa Fire Protection District if the Project Area had not been established without regard to the division and allocation of tax increment revenue pursuant to Health and Safety Code Section 33670.

Contra Costa Mosquito Abatement District. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa Mosquito Abatement District dated as of December 21, 1989, the Agency agreed to pay a percentage of the Mosquito District's Share (such Share being the portion of tax increment that would have been paid to the Mosquito District if the Project Area had not been established without regard to the division and allocation of tax increment revenue pursuant to Health and Safety Code Section 33670). The percentage is calculated based on the amount of assistance funds the Agency provides to the Mosquito District. The percentage ranges from 100% (if the Agency contributes less than \$10,001) to 0% (if the Agency contributes more than \$90,000). The Agency's obligation under this agreement commenced in December 1994 and ends on December 21, 2029. The Agency's obligation to make payments to the Mosquito District under this agreement are subordinate to its obligation to make payments of principal, interest or other amounts on or in connection with the issuance of the Bonds, or other indebtedness of the Agency.

Antioch Unified School District, Oakley Union School District and Liberty High School District. Pursuant to an agreement between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Antioch Unified School District dated as of March 28, 1990, an agreement between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Union School District dated as of February 14, 1990, and an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Liberty High School District dated as of February 14, 1990, the Agency agreed to pay to each of the School Districts (i) their full shares of general levy tax increment revenue attributable to inflationary growth of base year real property values in the Original Area, and (ii) 25% of their share of the general levy tax increment revenues in the Original Area net of the district's inflationary share, continuing until the expiration of the Redevelopment Plan (which occurs on December 21, 2029). The School Districts agree to limit the use such tax increment pass-throughs for certain projects of benefit to the School Districts, as set forth in the Agreements.

Contra Costa County Office of Education. Pursuant to an agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa County Office of Education dated as of December 21, 1989, the Agency agreed to pay a percentage of the portion of tax increment that would have been paid to the Contra Costa County Office of Education without regard to the division and allocation of tax increment revenue pursuant to Health and Safety Code Section 33670. Such percentage is either 50% (beginning five years after adoption of the Redevelopment Plan or the construction of 50,000 square feet of development), or 100% (beginning ten years after adoption of the Redevelopment Plan, which was December 27, 1999).

County of Contra Costa. The Agency, the Contra Costa County Redevelopment Agency, the County and the City executed the Jurisdictional Transfer Agreement, dated as of December 1, 2000, which, although technically not a tax sharing agreement, is treated as such for purposes of the Indenture. Pursuant to this agreement the Agency must pay the County general fund, the County's Water Conservation and Flood Control District, the County Water Agency, the County Fire Protection District and the County Library District/Fund certain portions of its tax increment revenue on each January 31, through January 31, 2011. The amount paid in Fiscal Year 2007/08 was \$225,000, and the remaining amounts payable range from \$275,000 to \$300,000.

Section 33676 Allocations

Section 33676 of the Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation limit of 2%. Currently, there are 8 taxing entities receiving allocations of property taxes under Section 33676 in the Project Area (including the City). The projection of Incremental Tax Revenues set forth in this Official Statement assumes that the payments will continue to be made to these taxing entities and that the payments will be made on a basis senior to payment of debt service on the Bonds.

Statutory Tax Sharing Payments

Tax Revenues are reduced by certain statutory tax sharing payments pursuant to the Law. Any amendment that increases the amount of tax increment to be received in a project area or extends any of the time limits triggers payments to taxing entities with whom the Agency does not have a tax sharing agreement. These payments, which are to begin the fiscal year following the year that the project area's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the project area in the year that the former limit would have been reached.

On December 8, 2003, the City adopted Ordinance No. 16-03, eliminating the time limitation for the Original Area to incur new debt and increasing the amount of tax increment available to repay indebtedness. Therefore, commencing with the first year following the expiration of the prior time limit to incur debt (Fiscal Year 2010/11) and using the Fiscal Year 2009/10 valuations as an adjusted base year value, the Agency is required to pay to the affected taxing entities the statutory pass-through payments. These tax sharing payments continue for the life of the Original Area. In addition, the Redevelopment Plan was amended to add the Added Area after January 1, 1994, which means the Added Area is subject to statutory pass-through payments to all taxing entities within the Added Area pursuant to the Law. The statutory pass through requirements provide for specific formulas for payments to be made by the Agency to affected taxing entities (see APPENDIX E hereto for a projection of such payments). The Agency commenced statutory pass-through payments in Fiscal Year 2004/05 with respect to the Added Area.

The statute permits these amounts to be subordinated to the payment of debt service on obligations issued by the Agency for the affected project areas under certain conditions. The Agency has requested and received such subordination with respect to the Bonds.

Deposit of Tax Revenues in Special Fund

The Indenture establishes a special fund to be known as the "Special Fund" to be held by the Agency. The Agency shall, immediately upon receipt of Tax Revenues, deposit Tax Revenues in the Special Fund, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Sinking Account and the Redemption Account in such Bond Year, and for deposit in such Bond Year into the funds and accounts established with respect to Parity Bonds.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year as described in the preceding paragraph may be applied by the Agency for any lawful purposes of the Agency. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds, and the payment in full of all other amounts payable hereunder, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may otherwise be provided in the Indenture.

Reserve Account

Upon the issuance of the Bonds, the amount deposited in the Reserve Account will constitute the initial Reserve Requirement without the need to deposit any proceeds of the Bonds. "Reserve Requirement" is defined in the Indenture to mean, as of the Closing Date, an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Outstanding Bonds; or (iii) 125% of Average Annual Debt Service on the Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Bonds.

No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of paying principal of or interest on the Bonds, in the event of any deficiency at any time to make such payments, or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement may be transferred to the Interest Account.

The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Agency has received confirmation from any rating agency than rating the Bonds that replacement will not adversely affect the rating on the Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit facility, must be rated in one of the two highest rating categories by Standard & Poor's at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee shall transfer moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes. In the event of a downgrade revision in the rating of such letter of credit, bond insurance policy or other comparable credit facility provided after the Closing Date, the Agency shall promptly transfer all available surplus described in (d) below to the Reserve Account until the earlier of (i) the time when the amount in the Reserve Account equals the Reserve Requirement in which case the Agency shall thereafter terminate the facility, or (ii) the time when the Agency secures a substitute letter of credit, bond insurance policy or other credit facility meeting the requirements of the Indenture for the Bonds.

Low and Moderate Income Housing Requirements

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Law, requiring redevelopment agencies to set aside in a Low and Moderate Income Housing Fund not less than 20% of all tax increment for the purposes of improving the community's supply of low and moderate income housing. This low and moderate income housing

requirement can be reduced or eliminated if the redevelopment agency finds that (i) no need exists in the community to improve or increase the supply of low and moderate income housing; or (ii) some stated percentage less than 20% of the tax increment is sufficient to meet the housing need.

Pursuant to the Law, housing set-aside funds may be pledged only to the repayment of bonds to the extent proceeds of such bonds are expended on qualifying housing purposes. Since the Agency is not using a portion of the proceeds of the Bonds to satisfy the set-aside requirements, Tax Revenues pledged to payment of the Bonds exclude amounts related to the 20% set-aside; however, Tax Revenues may include housing set-aside funds to the extent pledged in connection with the issuance of Parity Bonds.

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by the Insurance Policy to be issued by the Insurer simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

BOND INSURANCE

The following information concerning the Insurer and the Insurance Policy has been furnished by the Insurer for use in this Official Statement, and has not been independently certified or verified by the Agency. No representation is made by the Agency or the Underwriter as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the Insurer subsequent to the date of this Official Statement. Reference is made to APPENDIX H for a specimen of the Insurer's policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation (the "Insurer") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, the Insurer will remain obligated to pay the principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Insurer elects, in its sole discretion, to

pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Insurer's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
 2. payment of any redemption, prepayment or acceleration premium;
- and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Bond and will be fully subrogated to the surrendering holder's rights to payment.

In the event that the Insurer were to become insolvent, any claims arising under the Financial Guaranty Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$10,792,000,000** (unaudited) and statutory capital of approximately **\$6,409,000,000** (unaudited) as of **December 31, 2007**. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. The Insurer has been assigned the following financial strength ratings by

the following rating agencies: Aaa, with negative outlook, by Moody's Investors Service, Inc.; AAA, with negative outlook, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.; and AA, with negative outlook, by Fitch Ratings.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

The Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by the Insurer and presented under the heading "BOND INSURANCE".

Available Information

The parent company of the Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the Insurer's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of the Insurer's financial statements prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from the Insurer. The address of the Insurer's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and filed on February 29, 2008;
2. The Company's Current Report on Form 8-K dated and filed on March 7, 2008;
3. The Company's Current Reports on Form 8-K dated and filed on March 12, 2008; and

4. The Company's Current Report on Form 8-K dated and filed on April 23, 2008.

The Insurer's consolidated financial statements and all other information relating to the Insurer and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of this Official Statement and prior to the date of closing of the Bonds shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated in this Official Statement by reference shall be modified or superseded for the purposes of this Official Statement to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of all information regarding the Insurer that is incorporated by reference in this Official Statement are available for inspection in the same manner as described above in "Available Information".

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

RISK FACTORS AND LIMITATIONS ON TAX REVENUES

The following summaries do not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds, and the Official Statement should be read in its entirety.

Tax Revenues

Tax Revenues allocated to the Agency are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed, and the percentage of taxes collected in the Project Area. Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues. A reduction of taxable values of property in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency's control (such as a relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, a reduction in the rate of transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquakes) could occur, thereby causing a reduction in the Tax Revenues. This risk increases in proportion to the percent of total assessed value attributable to any single assessee in the Project Area and in relation to the concentration of property in the Project Area in terms of size or land use. The ten largest property tax payers in the Project Area account for approximately 18.27% of incremental assessed value in Fiscal Year 2007/08, which is a reduction from approximately 23.9% in Fiscal Year 2003/04. (See "THE PROJECT AREA -- General" hereunder.) Any reduction in Tax Revenues, whether for any of the foregoing or following reasons or any other reason, could

have an adverse effect on the Agency's ability to meet its obligations under the Indenture, and the Agency's ability to pay principal of and interest on the Bonds.

Any reduction in the tax rate applicable to property in the Project Area, by reason of discontinuance of certain override tax levies in excess of the 1% basic levy, will reduce the Tax Revenues available to pay the debt service on the Bonds. Such override can be expected to decline over time until it reaches the 1% basic levy and may be discontinued at any time, which may cause a reduction in such Tax Revenues.

Estimated Revenues

The Fiscal Consultant has based its projections on certain assumptions with regard to development in the Project Area and Tax Revenue growth. See APPENDIX E hereto for a discussion of these assumptions. Additionally, no level of growth in the assessed value of property in the Project Area can be assured. The Fiscal Consultant has reviewed the assessed valuation of property in the Project Area and has estimated Tax Revenues available to pay debt service on the Bonds in Fiscal Year 2007/08 to be approximately \$2,272,267 (reflecting deduction of non-housing debt service on the Series 2003 Bonds). This amount excludes the 20% housing set-aside (see "SECURITY FOR THE BONDS - Low and Moderate Income Housing Requirements" herein), Section 33676 payments, projected appeal refunds and County administrative costs.

In addition, the projections set forth below in "THE PROJECT AREA – Projected Tax Revenues" assumes annual real property growth at 2%, plus transfers in ownership in Fiscal Year 2008/09. There can be no assurance that growth will occur at such rates. Any reduction in growth would have a significant impact on the Tax Revenues available to pay debt service on the Bonds.

Any reduction in assessed value in the Project Area, reduction in tax rates or reduction in taxes collected could reduce Tax Revenues available to pay debt service on the Bonds. See "Property Tax Administrative Costs" herein. See also APPENDIX E hereto for a summary of historical assessed valuation of property in the Project Area, current assessment appeals and historical delinquencies. See "THE PROJECT AREA - Property Tax Delinquencies; Teeter Plan" herein for a description of the Agency's participation in the County's Teeter Plan.

Additionally, if, as a result of some cause in the future, the Agency is found to have not met its annual funding requirements for the Low and Moderate Income Housing Fund, Tax Revenues from the Project Area in later years could be reduced, thus adversely affecting the Agency's ability to make timely payments of debt service on the Bonds. See "SECURITY FOR THE BONDS -- Low and Moderate Income Housing Requirements" herein.

Subordinate Status of Bonds

The Indenture requires that debt service on the Series 2003 Bonds, and replenishment of the Reserve Account relating thereto, be paid prior to making provision for payment of debt service on the Bonds (except for certain limited funds held under the Indenture for the Bonds). Therefore, any shortfall in Tax Revenues may result in non-payment of debt service on the Bonds, even though the Series 2003 Bonds are paid in full. See "SECURITY FOR THE BONDS -- Tax Revenues" herein. The Agency has covenanted not to issue any

obligations on parity with the Series 2003 Bonds, or any other obligation with a lien on Tax Revenues senior to the lien of the Bonds.

Parity Debt

The Indenture permits the issuance by the Agency of certain indebtedness which may have a lien upon the Tax Revenues which is on a parity basis to the lien of the Bonds, if certain coverage tests are met (see "THE BONDS -- Parity Debt" herein). These coverage tests involve, to some extent, projections of Tax Revenues. If such indebtedness is issued, claims against Tax Revenues would be increased, and if Tax Revenues do not meet projected levels, the debt service coverage for the Bonds could be diluted below the minimum amounts needed to pay debt service on the Agency's obligations. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Tax Revenues may be less than projected, and the actual amount of Pledged Revenues may be insufficient to provide for the payment of the Bonds and such additional indebtedness.

Current Litigation

There is no controversy or litigation now pending against the Agency or the Agency or, to the knowledge of its officers, threatened, restraining or enjoining the sale, execution or delivery of the Bonds or the Indenture, or in any way contesting or affecting the validity of the Bonds or the Indenture, the ability of the Agency to receive and pledge the Tax Revenues as provided for in the Indenture.

Change in Law

In addition to the other limitations on Tax Revenues described below, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease 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 the Tax Revenues and adversely affect the security of the Bonds.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent 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. See the material below for a discussion of how this measure or other initiative measures adopted by the California electorate could reduce Tax Revenues.

Levy and Collection

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. Likewise, delinquencies in

the payment of property taxes could have an adverse effect on the Agency's ability to pay debt service on the Bonds. See "Property Tax Collection Procedures" below.

Natural Disasters; Seismic Hazards

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the Project Area, or impair the ability of landowners within the Project Area to develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the Project Area that could potentially result in damage to buildings, roads, bridges, and property within the Project Area in the event of an earthquake. The Health and Safety Element of the City's General Plan states that the Brentwood Fault lies under the City and that it is inferred active on the basis of scattered small magnitude earthquakes near the trace of the fault. Other inferred active faults - the Davis and Antioch Faults -- lie west of the City. More information about seismic hazards in the City, can be found in the Health and Safety Element of the City's General Plan on the City's web site at <http://www.ci.oakley.ca.us>. A majority of the property within the Project Area has been developed in conformity with the 1988 Uniform Building Code standards.

If an earthquake were to substantially damage or destroy taxable property within the Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that could impair the ability of the Agency to make payments of debt service on the Bonds when due.

While certain portions of the Project Area are within mapped flood plains, these parcels are not expected to be developed in the foreseeable future.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of hazardous substance that would limit the beneficial use of a property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator as any thing to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller.

Assessment Appeals

Property taxable values may be reduced as a result of a successful appeal of the taxable value determined by the County Assessor. An appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the Project Area and the refund of taxes which may arise out of

successful appeals by property Owners will affect the amount of Tax Revenues. While the Agency has experienced reductions in its Incremental Tax Revenues as a result of assessment appeals, the impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. Assessed values in the Project Area for Fiscal Year 2007/08 are approximately 7.8% higher than in Fiscal Year 2006/07.

See "THE PROJECT AREA - Assessment Appeals" herein for a discussion of historical assessment appeals in the Project Area. While the Fiscal Consultant has included the estimated impact of property tax assessment appeals in its projections, there can be no assurance that the actual result of the appeals will correspond to such projections. See APPENDIX E hereto for a discussion of assessment appeals within the Project Area.

Economic Risks

The Agency's ability to make payments on the Bonds will be partially dependent upon the economic strength of the Project Area. If there is a decline in the general economy of the Project Area, the owners of property may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of Tax Revenues. In the event of decreased values, Tax Revenues may decline even if property owners make timely payment of taxes. See "THE PROJECT AREA" herein for a discussion of historical development within the Project Area, possible developments in the City which may affect the overall economic viability of the City and the Project Area, and a description of the principal taxpayers of the parcels in the Project Area.

State Budget Deficit

In connection with its approval of a budget for the 2002/03 Fiscal Year, the State Legislature enacted Assembly Bill 1768, effective September 30, 2002, which reallocated \$75 million from redevelopment agencies to school districts during the 2002/03 Fiscal Year. Each agency's proportionate share of such amount is required to be transferred to the county auditor for deposit in the Educational Revenue Augmentation Fund prior to May 10, 2003. The Agency's share of this reallocation was approximately \$55,258, and was transferred as required by Assembly Bill 1768.

The 2003/04 State budget reallocated \$135 million from redevelopment agencies to school districts during the 2003/04 Fiscal Year. The Agency's share of the \$135 million shift, which was due by May 14, 2004, was approximately \$96,222, which it paid from excess Incremental Tax Revenues.

The Fiscal Year 2004/05 State budget was passed by the Legislature on July 29, 2004, and was signed into law by the Governor on July 30, 2004. The 2004/05 budget reallocated \$1.3 billion in revenues from local government to schools in both Fiscal Year 2004/05 and 2005/06. In connection with its approval of a budget for the 2004/05 Fiscal Year, the State Legislature adopted SB 1096, which required redevelopment agencies to pay \$250 million to school districts in both the 2004/05 and 2005/06 Fiscal Years. The Agency's share of the payment for the two years totaled approximately \$372,432. The Agency paid the amount from available funds.

In addition, in connection with the payment by redevelopment agencies, (i) SB 1045 allowed a redevelopment agency to extend the effective date of its redevelopment plan

and the date to receive Incremental Tax Revenues, by one year, and (ii) SB 1096 generally allows a redevelopment agency to extend the effective date of its redevelopment plan and the date to receive Incremental Tax Revenues, by two years if the legislative body finds the Agency is in compliance with major housing requirements. The Agency currently anticipates extending the effective date of the Redevelopment Plan by the one year period as permitted by SB 1045 (although it is not currently borrowing against such anticipated revenues). However, since the final effective date of the Redevelopment Plan is beyond twenty years from the date of adoption of SB 1096, the Agency is not able to extend the effective date pursuant to SB 1096. See "THE REDEVELOPMENT PLAN – Financial Limitations" below.

The State budget for Fiscal Years 2005/06, 2006/07 and 2007/08 were adopted without any further reallocation of funds. Information about the State budget is regularly available at various State-maintained websites. The Fiscal Year 2007/08 State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst ("LAO") at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Agency, and the Agency takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

In connection with the reallocation of \$2.6 billion of local agency revenues to school funding, the Legislature and the Governor agreed to place Proposition 1A, entitled "Protection of Local Government Revenues," on the November 2, 2004 ballot ("Proposition 1A"), and it was approved by the voters. Proposition 1A amends the California Constitution to, among other things, prohibit the shift of property tax revenues from cities, counties and special districts, except to address a "severe state financial hardship" (and only then if (x) such amounts were to agreed to be repaid with interest within three years, (y) the State had repaid any other borrowed amounts, and (z) such borrowing could not occur more often than twice in ten years). However, Proposition 1A does not specifically protect against reallocation of redevelopment agency funds to other uses within a corresponding city or county.

The current budget bill does not resolve the State's structural budget deficit. Additionally, litigation challenging certain revenue enhancements provided in the current budget has restricted realization of revenue, and could result in future State budget deficits. The LAO currently is projecting a deficit of over \$8 billion in the current State budget. It is therefore anticipated that there will be additional future legislation which addresses this situation. The Agency cannot predict what measures may be proposed or implemented for the current fiscal year or in the future. Given the limitations on the State's ability to increase revenues in the event of future budgetary deficits, it is possible that future legislation could reduce or require additional payments from redevelopment agencies. The Agency cannot predict whether future State Budget legislation will further divert moneys from redevelopment agencies, and the effect such diversion would have on the receipt of Incremental Tax Revenues and, accordingly, the payment of debt service on the Bonds.

Direct and Overlapping Indebtedness

The ability of land owners within the Project Area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the Project Area could, without consent of the Agency, and in certain cases without the consent of the

owners of the land within the Project Area, impose additional taxes or assessment liens on the property to finance public improvements. See "Bankruptcy and Foreclosure" below.

Bankruptcy and Foreclosure

The payment of property taxes by owners may be limited by bankruptcy, insolvency, or other laws generally affecting creditors rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the property tax obligation of a landowner to become extinguished, such bankruptcy could result in a delay in collection of Tax Revenues, and would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Property Tax and Spending Limitations

Article XIII A of the California Constitution. Section 1(a) of Article XIII A of the California Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent (2%) per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the one percent (1%) limit except for taxes to support indebtedness approved by the voters as described herein.

In the general elections of 1986, 1988, and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could reduce the future growth of tax increment of the Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

Article XIII B of the California Constitution. On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the 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 will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof.

The validity of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely* and *Brown v. Community Redevelopment Agency of the City of Santa Ana*.

Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the public agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, special taxes, assessments, fees and charges. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of property taxes or to materially affect the collection and pledge of Tax Revenues.

The interpretation and application of the initiative provisions of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and while it is not possible at this time to predict with certainty the outcome of such

determination, the Agency does not believe that Proposition 218 will materially affect its ability to pay principal of or interest on the Bonds.

Implementing Legislation

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

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections and Distributions. The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of 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) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See "THE PROJECT AREA - Property Tax Delinquencies; Teeter Plan" herein.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Chapter 498, Statutes of 1983), provided for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. This legislation eliminated delays in the realization of increased property taxes from new assessments, and provided increased revenue to agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Incremental Tax Revenues may increase; however, such revenues have not been included in the projections prepared by the Fiscal Consultant.

Property Tax Administrative Costs

In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. The County currently deducts as a fee the Agency's prorated share of administrative costs before apportioning the Incremental Tax Revenues to the Agency. The County is projected to charge an annual fee for Fiscal Year 2007/08 of approximately \$36,951 for the Project Area.

The projections of Tax Revenue described herein under the heading "THE PROJECT AREA" reflect estimated reductions for such collection fees.

Unitary Property

Assembly Bill 2890 (Statutes of 1986, Chapter 1457), which added Section 98.9 to the California Revenue and Taxation Code, provided that, commencing with the Fiscal Year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) was to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

Assembly Bill 454 (Statutes of 1987, Chapter 921) further modified the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provided for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provided 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 as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a

percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, 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 in accordance with a new formula.

As of fiscal year 2007/08, railroad property is subject to the provisions of AB 2670 (Statutes of 2006, Chapter 791), which treats railroad property similar to the treatment of utility unitary property. All railroad unitary value in a county, except for a portion of certain facilities constructed after 2006, is assigned to a single tax rate area. The revenues generated by the application of tax rates to this value is distributed among the other tax rates of the county by the same formula specified in AB 454, except that school entities are allocated the same percentage of taxes from railroad values that they received in the prior fiscal year, and no revenue is to be allocated to redevelopment agencies for fiscal year 2007/08.

The intent of Chapters 1457, 921 and 791 was to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

The Agency is including \$8,000 of annual projected Incremental Tax Revenues attributable to unitary public property in the Project Area in the projections of Tax Revenues herein. The Agency cannot predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received by the Agency. See APPENDIX E hereto for a discussion of the Fiscal Consultant's assumptions and conclusions regarding projections of unitary revenues in the Project Area.

Plan Limitations

See "THE REDEVELOPMENT PLAN – Financial Limitations" herein for a discussion of certain other matters which limit Tax Revenues or impact the use thereof.

Additional Limitation on Tax Revenues

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. The Agency does not currently project receiving any Incremental Tax Revenues as a result of general obligation bonds which may be approved on or after January 1, 1989.

Low and Moderate Income Housing Requirements

Pursuant to the Law, housing set-aside funds may be pledged only to the repayment of bonds to the extent proceeds of such bonds are expended on qualifying housing purposes. The Agency is subject to this statutory requirement. Since the Agency is not using a portion of the proceeds of the Bonds to satisfy the set-aside requirements, Tax Revenues projected for payment of the Bonds exclude amounts related to the 20% set-aside. See "SECURITY FOR THE BONDS – Low and Moderate Income Housing Requirement" herein.

Plan Limits; Early Redemption of Bonds

The Agency has covenanted that it shall annually calculate the aggregate amount of Tax Revenues which it remains entitled to receive under the Plan Limitations for the Project Area. In the event that the aggregate amount of Tax Revenues which the Agency is permitted to receive under the Plan Limitations for the Project Area, plus the amount then held on deposit in any fund or account which is set aside by the Agency to make its debt payments with respect to the Project Area and the earnings which are reasonably expected to accrue thereon, are reasonably estimated at any time to be less than one hundred and five percent (105%) of the aggregate amount of annual debt payments remaining to be made with respect to such Project Area or of the amount required to replenish the Reserve Account for the Bonds and any similar account for any Parity Bonds, the Agency shall either (a) deposit with the Trustee an amount of Tax Revenues sufficient to redeem Bonds or pay debt service without regard to interest earnings thereon in such aggregate principal amount as shall be required to cause the Agency to meet such requirements, or (b) set aside with the Trustee or into a dedicated fund or account to be held by the Agency an amount of Tax Revenues which, together with earnings to be derived from the investment thereof, will be sufficient to enable the Agency to meet such requirements, or (c) decline to accept Tax Revenues from the County in an amount sufficient to enable the Agency to meet such requirements. No special provision is provided for such redemptions. Furthermore, the Agency will continue to monitor its collection of revenues on a regular basis versus the Plan Limitations, and will budget appropriately should the Plan Limitations for collection of tax increment approach sooner than expected. The Agency currently projects that if growth in the Project Area continues at a 6% rate the Project Area would reach its tax increment capacity prior to final maturity of the Bonds. In such event, it is likely that certain Bonds will be redeemed prior to maturity, although the Agency does not currently expect this to be a material amount.

Future Legislation and Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Agency or the Agency's ability to expend revenues. In addition, there are currently a number of proposed legislative changes to the Law which, if adopted, would also affect revenues of the Agency or the Agency's ability to expend revenues. The nature and impact of these measures cannot currently be anticipated.

Early Redemption of Premium Bonds

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated for federal tax purposes as having amortizable premium. If such Premium Bonds are redeemed prior to maturity (or, in some cases, prior to a scheduled prepayment date) as described herein under "THE BONDS – Redemption," not all of the amortized premium may be realized by the Owner. The Premium Bonds are treated as all other Bonds for purposes of selection for redemption prior to maturity as described herein.

Loss of Tax Exemption

As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income

taxation retroactive to the date such Bonds were issued, as a result of future acts or omissions of the Agency or the Agency in violation of its covenants in the Indenture. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

THE AGENCY

General

Pursuant to the Law, the County established the Project Area in 1989. Upon the incorporation of the City on July 1, 1999, the County transferred control of the Project Area to the Agency. The five members of the City Council serve as the members of the Agency and exercise all rights, powers, duties and privileges of the Agency. The Agency is charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City.

Agency Powers

All powers of the Agency are vested in its members, who are elected members of the City Council. Pursuant to the Law, the Agency is a separate public body and exercises governmental functions in planning and implementing redevelopment projects.

Within its area of operation, the Agency may exercise broad governmental functions and authority to accomplish its purposes, including, but not limited to, the right of eminent domain, the right to issue bonds for authorized purposes and to expend the proceeds thereof, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land, and cause to be constructed certain improvements including streets, sidewalks and utilities, and may also prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, pay for all or part of the costs of land and buildings, facilities or other improvements to be publicly owned and operated, provided that such improvements are of benefit to a redevelopment project area and cannot be financed by any other reasonable method.

Agency Financial Statements

The Agency accounts for its financial transactions through funds representing the Project Area. A copy of the Agency's audited annual financial statements for the fiscal year ended June 30, 2007 were prepared by the certified public accounting firm of Maze & Associates, of Pleasant Hill, California, and are attached hereto as APPENDIX C. The Agency has not requested, and the auditor has not provided, any update or review of such audited financial statements in connection with the inclusion thereof in this Official Statement.

Copies of the audited financial statements for the Fiscal Year ended June 30, 2007, as well as the Agency's audited financial statements for other Fiscal Years can be obtained at the office of Executive Director at City Hall.

Certification of Agency Indebtedness

A significant provision of the Law, Section 33675, was added by the Legislature in 1976 and amended by AB 1290 in 1993, providing for the filing not later than September 30 of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increment. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purpose and interest rate of the bonds, the principal amount and interest due in the fiscal year in which the statement is filed, and the total principal and interest remaining to be paid. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment. The statement must also indicate the total principal and interest due on all bonds, loans, advances or other indebtedness indicated on the statement, both for the current fiscal year and cumulatively over their lives, and the total amount of "available revenues" on hand at the time of filing of the statement. "Available revenues" is defined in Section 33675, and is based upon a calculation of the amounts received by the Agency in the prior fiscal year from all sources, less amounts paid on all bonds, loans, advances or indebtedness in the prior fiscal year, plus amounts held by the Agency and pledged to the payment of bonds, loans advances or indebtedness. The difference between the cumulative amount remaining to be paid on the lives of all bonds, loans, advances or other indebtedness as shown on the statement and the amount of available revenues is the maximum amount which can be paid to the Agency in tax increment revenue for the Fiscal Year in which the statement is filed.

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

THE REDEVELOPMENT PLAN

General

The County Board of Supervisors adopted Ordinance No. 89-89 approving the Redevelopment Plan on December 27, 1989 with respect to the Original Area. The Redevelopment Plan was amended by Ordinance No. 94-65, adopted by the County Board on December 6, 1994, which amended the Redevelopment Plan with respect to the time period during which the Redevelopment Plan will be in effect, the time period during which the Agency may establish indebtedness and the amount of tax increment revenues that may be allocated to the Agency, and which brought the Redevelopment Plan into conformance with AB 1290. The Project Area was incorporated as part of the City on July 1, 1999. Pursuant to an incorporation election on November 3, 1998, Resolution No. 97-17 of the Contra Costa County Local Agency Formation Commission (the "Incorporation Resolution") and Section 33215 of the Law, the County transferred the Project Area to the City, and the Agency assumed the debts and

obligations of the Project Area. The Redevelopment Plan was further amended on October 22, 2001 by adoption of Ordinance No. 17-01 to add the Added Area. On December 8, 2003 the City Council adopted Ordinance No. 16-03 that amended the Redevelopment Plan to eliminate the limitation on incurrence of new indebtedness in relation to the Original Area.

The Redevelopment Plan describes the boundaries of the Project Area, contains a general statement of the objectives of such Project Area, land use, layout of principal streets, building intensities and standards, and other criteria proposed as the basis for redevelopment of the Project Area. The Redevelopment Plan also describe how the Redevelopment Plan effectuates the purposes of the Law and how the proposed redevelopment conforms to the General Plan of the City, and describes the impact of the Redevelopment Plan upon residents thereof and upon the surrounding neighborhood.

The general objectives of the Redevelopment Plan are to The principal goals and objectives of the Redevelopment Plan are to fund circulation and transportation improvements, primarily those related to State Route 4 deficiencies, upgrade inadequate public and community facilities, rehabilitate existing housing units and the development of neighborhood parks and amenities, stimulate new industrial/retail development, assist in the financing and construction of roads, drainage improvements and utility upgrades, and expand the supply of affordable housing and upgrade existing residential areas by assisting in the rehabilitation of existing housing.

As described above under "SECURITY FOR THE BONDS," the Redevelopment Plan provide that all taxes levied upon taxable property within the applicable Project Area each year by or for the benefit of the State, the County, the City, any district, or any other public corporation will be divided among the Taxing Agencies as described therein.

Financial Limitations

Pursuant to the Law, the City (and the County, as its predecessor in interest) has adopted a number of ordinances extending the effective date of the Redevelopment Plan (as set forth in the table below). In addition, total Outstanding principal of bonds payable from such tax increment may not at any time exceed \$450,000,000, and total Incremental Tax Revenues may not exceed \$550,000,000. Based on Agency records, the Agency has received approximately \$27,365,283 of Incremental Tax Revenues through June 30, 2007. Incremental Tax Revenues pledged to existing obligations, including debt service on the Bonds, totals approximately \$61,741,463. Upon issuance of the Bonds, the total principal amount of Outstanding bonds payable from Incremental Tax Revenues is \$32,905,000. No other obligations besides the Bonds and the Series 2003 Bonds are currently outstanding. Based on the Agency's projections of Incremental Tax Revenues, it does not believe these limitations will adversely affect its ability to pay debt service on the Bonds.

Assembly Bill 1290 ("AB 1290") was signed into law by the Governor in December 1993 and amends various provisions of the Law. AB 1290 provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after 10 years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, shall pay indebtedness or receive property taxes in connection therewith. In addition, in connection with the shift of certain Incremental Tax Revenues, (i) in connection with its approval of a budget for the 2003/04 Fiscal Year, the State Legislature adopted SB 1045, which allows the Agency to extend the effective date of the Redevelopment Plan, and the date to receive Incremental Tax Revenues, by one year, and (ii) in connection

with its approval of a budget for the 2004/05 Fiscal Year, the State Legislature adopted SB 1096, which allows the Agency to extend the effective date of the Redevelopment Plan, and the date to receive Incremental Tax Revenues, by two years if the legislative body finds the Agency is in compliance with major housing requirements. See "RISK FACTORS AND LIMITATIONS ON TAX REVENUES - State Budget Deficit" herein. The Agency currently anticipates extending the effective date of the Redevelopment Plan by one year pursuant to the provisions of SB 1045 (although amounts received in such year are not being borrowed against in connection with the Bonds), but cannot extend the effective date pursuant to SB 1096 because the effective date is greater than twenty years from the date of adoption of SB 1096.

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 ("SB 211"), which allows redevelopment agencies to eliminate the time limits on their ability to incur debt for project areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. Additionally, if a redevelopment agency elects to eliminate the time limit on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-throughs to other taxing entities. In the event the Agency elects to extend or eliminate any of the deadlines allowed to be extended pursuant to SB 211 for the Project Area, the growth of Tax Revenues, if any, would be negatively affected.

On December 8, 2003, the City adopted Ordinance No. 16-03, eliminating the time limitation for the Original Area to incur new debt and increasing the amount of tax increment available to repay indebtedness. Therefore, commencing with the first year following the expiration of the prior time limit to incur debt (Fiscal Year 2010/11) and using the Fiscal Year 2009/10 valuations as an adjusted base year value, the Agency is required to pay to the affected taxing entities statutory pass-through payments. These tax sharing payments continue for the life of the Original Area. See "SECURITY FOR THE BONDS – Statutory Tax Sharing Payments" herein.

The expiration date of the components of the Redevelopment Plan, the final date to incur indebtedness and the final date to receive Incremental Tax Revenues from each component of the Project Area is set forth in the following table. The date of final payment of principal of and interest on the Bonds is September 1, 2032, which is prior to termination of the effective date of each component of the Project Area.

**OAKLEY REDEVELOPMENT AGENCY
OAKLEY REDEVELOPMENT PROJECT AREA
FINANCIAL LIMITATIONS**

<u>Project Area Component</u>	<u>Limit on Incurring Debt</u>	<u>Expiration Date of Plan</u>	<u>Last Date to Receive Increment</u>	<u>Tax Increment Limitation</u>	<u>Outstanding Bonded Debt</u>
Original Area	Eliminated	12/21/29	12/21/39		
Added Area	10/22/21	10/22/31	10/22/46		
Total Project Area				\$550 million	\$450 million

The Agency has covenanted in the Indenture not to amend the Redevelopment Plan in a manner that will reduce Tax Revenues in any future Fiscal Year unless the Agency first obtains the report of an Independent Fiscal Consultant stating that the Tax Revenues for the then current Fiscal Year (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such Fiscal Year), are at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service immediately following the effective date of such amendment. Without limiting the foregoing, the Agency shall not cause amounts to be deposited to the Low and Moderate Income Housing Fund for the Project Area in excess of the 20% requirement of Section 33334.2 and 33334.6 of the Law, including pursuant to Section 33334.3(i) of the Law, except on a basis subordinate in right of payment to the Bonds, it being the purpose and intent of the definition of Tax Revenues to exclude from Tax Revenues only those amounts attributable to the Project Area which are required to be deposited into the Low and Moderate Income Housing Fund in the minimum amount required by said section, is without regard to part (i) of Section 33334.3.

Low and Moderate Income Housing Provisions

The Redevelopment Plan provides that a portion of all taxes which are allocated to the Agency pursuant to the Law must be paid into the Low and Moderate Income Housing Fund and used by the Agency for the purpose of increasing and improving the community's supply of housing available at affordable cost to persons and families of low and moderate income. The Low and Moderate Income Housing Fund may be used to acquire or improve land and building sites, to donate land to public entities, to construct, rehabilitate or acquire buildings, and to provide subsidies to or for the benefit of persons and families of very low, low, or moderate income. Funds available from the Low and Moderate Income Housing Fund may be used either inside or outside the Project Area on a finding by the Agency and the City Council that such use will be of benefit to the Project Area.

Alleviation of Financial Burden to Taxing Entities

The Redevelopment Plan provides that the Agency may, in any year during which it owns property in the applicable Original Project Area, pay directly to the City, the County, any district or any other public corporation for whose benefit a tax would have been levied upon such property had the Agency not been exempt, an amount of money in lieu of taxes.

The Agency may also pay to any taxing entity with territory located within the Project Area (other than the City) any amounts of money which, in the Agency's determination, are appropriate to alleviate any financial burden or detriment caused to the taxing entity by the Project Areas. See "SECURITY FOR THE BONDS - The Tax Sharing Agreements," "- Section 33676 Payments" and "- Statutory Pass-Through Payments" herein.

THE PROJECT AREA

General

The Project Area, as amended, consists of approximately 1,537 contiguous acres (approximately 2.4 square miles), or about 69% of the total incorporated area of the City. The Project Area includes 916 acres in the Original Area and 621 acres in the Added Area. It is generally bounded on the east by the Atchison, Topeka and Santa Fe Railroad (the "AT&SF") and State Route 4, on the south by Oakley Road, State Route 4 and Cypress Road, on the west by Bridgehead/Neroly Road, and on the north by the AT&SF right-at-way in the northeast part of the City. Based upon a review of the 2007/08 values, a distribution of values by property use in the Project Area was prepared. The review indicates that approximately 67% of the Project Area values contain designated residential uses. The distribution of values is shown below.

**TABLE 1
OAKLEY REDEVELOPMENT PROJECT AREA
SECURED LAND USE STATISTICS
(Fiscal Year 2007/08)**

<u>Property Use</u>	<u>Parcel Count</u>	<u>Secured Assessed Value</u>	<u>Percent of Total Value</u>
Residential	1,469	\$335,663,515	66.76%
Commercial	93	89,906,846	17.88
Industrial	16	28,287,781	5.63
Dry & Irrigated Farm	18	14,185,131	2.82
Institutional	12	966,003	0.19
Government	1	255	0.00
Vacant land	64	7,473,885	1.49
Exempt	41	0	0.00
Miscellaneous	<u>15</u>	<u>294,132</u>	<u>0.06</u>
Subtotals	1,729	\$476,777,548	94.82%
SBE Non-unitary	--	--	0.00%
Unsecured	<u>[874]</u>	<u>26,036,140</u>	<u>5.18</u>
Subtotals	<u>--</u>	<u>\$26,036,140</u>	<u>5.18%</u>
TOTALS	1,729	\$502,803,688	100.00%

Source: HdL Coren & Cone

Tax Rates

Tax Revenues projected by the Fiscal Consultant are computed based upon the annual incremental assessed value of the Project Area multiplied by a tax rate determined by the County Auditor-Controller. The tax rate consists of the general tax levy of \$1.00 per \$100 of assessed value and the override tax rate which represents the debt service levy whose indebtedness has been authorized by voter approval.

The override tax rates typically decline each year (i) as increasing property values reduce the override rate needed to be levied by the taxing entities to meet debt service and (ii) as voter approved debt is eventually retired over time. The State Constitution prohibits

redevelopment agencies from receiving taxes generated by new override tax rates which are reflective of debt approved after December 31, 1988.

The tax rate used in the Fiscal Consultant's estimate of tax increment was based on actual secured tax revenues divided by the secured assessed value. See APPENDIX E hereto for a discussion of the assumptions utilized by the Fiscal Consultant in preparing the Tax Revenue projections.

Assessed Valuation

The following tables illustrates the County's calculation of taxable net assessed value for property within the Project Area for Fiscal Year 2007/08, the net incremental assessed value for Fiscal Year 2007/08, and the largest taxable property owners in the Project Area.

**TABLE 2
OAKLEY REDEVELOPMENT PROJECT AREA
TOTAL ASSESSED VALUATION
(Fiscal Year 2007/08)**

	<u>Original Area</u>	<u>Added Area</u>
Secured Valuation		
Land	\$193,000,595	\$13,022,070
Improvements	266,967,370	4,947,863
Personal Property	10,138,690	45,355
Less Exemptions	<u>(10,958,838)</u>	<u>(385,557)</u>
Assessed Secured Value	459,147,817	17,629,731
Unsecured Valuation:		
Land	5,500	7,286
Improvements	4,215,221	1,404,768
Personal Property	3,636,586	16,809,171 ⁽¹⁾
Less: Exemptions	<u>(42,392)</u>	<u>0</u>
Assessed Unsecured Value	<u>7,814,915</u>	<u>18,221,225</u>
Total Net Assessed Value	\$466,962,732	\$35,850,956

Source: County of Contra Costa Auditor-Controller; HdL Coren & Cone.

(1) Primarily consists of value of boats located in marina parcels.

**TABLE 3
OAKLEY REDEVELOPMENT PROJECT AREA
TOTAL INCREMENTAL VALUATION
(Fiscal Year 2007/08)**

	<u>2007/08 Taxable Value</u>	<u>Adjusted Base Taxable Value⁽¹⁾</u>	<u>2007/08 Incremental Taxable Value</u>
Secured			
Land	\$206,022,665	\$89,026,552	\$116,996,113
Improvements	271,915,233	4,911,843	267,003,390
Personal Property	10,184,045	0	10,184,045
Less: Exemptions	<u>(11,344,395)</u>	<u>0</u>	<u>(11,344,395)</u>
Total Secured	476,777,548	93,938,395	382,839,153
Unsecured			
Land	12,786	0	12,786
Improvements	5,619,989	0	5,619,989
Personal Property	20,445,757	8,628,736	11,817,021
Less: Exemptions	<u>(42,392)</u>	<u>0</u>	<u>(42,392)</u>
Total Unsecured	<u>26,036,140</u>	<u>8,628,736</u>	<u>17,407,404</u>
Total Secured and Unsecured	\$502,813,688	\$102,567,131	\$400,246,557

Source: County of Contra Costa Auditor-Controller; HdL Coren & Cone.

(1) The adjusted Base Year refers to the aggregated base year values of the Original Area (Fiscal Year 1989/90) and the Added Area (Fiscal Year 2001/02).

The following ten major property owners in the Project Area were identified by the Fiscal Consultant based upon a review of the 2007/08 locally assessed taxable valuations reported by the County Assessor. The aggregated total assessed value of the identified ten tax payers amounted to \$73,118,247, or approximately 15.5% of the total taxable value of the Project Area, and 18.3% of the Incremental Value. See APPENDIX E hereto.

**TABLE 4
OAKLEY REDEVELOPMENT PROJECT AREA
TOP TEN TAXPAYERS
(Fiscal Year 2007/08)**

<u>Assessee Name</u>	<u>Project Area Component</u>	<u>Land Use</u>	<u>No. of Parcels</u>	<u>2007/08 Assessed Value</u>	<u>% of Total</u> ⁽¹⁾	<u>% of Incremental Value</u> ⁽²⁾
Cypress Square S&R Assoc.	Original	Commercial	1	\$16,561,907	3.29%	4.14%
HPH Properties Ltd. Part.	Original	Industrial	2	8,552,268	1.70	2.14
Lucky No. California Investor LLC	Original	Com./Shopping Center	1	8,361,536	1.66	2.09
Western Oilfields Supply Co.	Original	Light Industrial	2	8,243,763	1.64	2.06
Simon Oakley Town Center LLC	Original	Com./Shopping Center	4	7,640,691	1.52	1.91
Shurgard California Properties	Original	Self Storage	1	6,737,473	1.34	1.68
WEC 98D LLC	Original	Commercial	1	5,108,109	1.02	1.28
SFP B Limited Partnership	Original	Commercial	3	4,137,344	0.82	1.03
EI Du Pont De Nemours & Co.	Added	Industrial	7	4,061,374	0.81	1.01
Conoco Land Company	Original	Dry Farm	<u>3</u>	<u>3,713,782</u>	<u>0.74</u>	<u>0.93</u>
TOTAL			25	\$73,118,247	14.54%	18.27%

Source: Contra Costa County Assessor; HdL Coren & Cone

(1) Based on total Fiscal Year 2007/08 assessed value of \$502,813,688.

(2) Based on Fiscal Year 2007/08 incremental value of \$400,246,557.

According to the records of the County Assessor, there are currently no assessment appeals with respect to the ten largest taxpayers pending or which would impact the 2006/07 Fiscal Year assessment rolls.

See APPENDIX E hereto for a summary of historical assessed property valuations in the Project Area. The County has established the total assessed valuation of the Project Area for Fiscal Year 2007/08 at \$502,813,688, an increase of approximately \$36,542,586 (7.8%) from Fiscal Year 2006/07.

Historic Taxable Valuations

For the period of Fiscal Years 2001/02 through 2007/08, the historic taxable values reported by the Contra Costa County Auditor-Controller reflect an average overall increase of 87.8% for the Original Area, and 66.3% for the Added Area.

The following table sets forth the taxable assessed valuations for the Project Area for the current and prior five Fiscal Years. The assessed valuation of the Project Area for Fiscal Year 2007/08, based on the County’s assessment rolls, is \$502,813,688, an increase of approximately 390.2% over the adjusted Base Year.

**TABLE 5
OAKLEY REDEVELOPMENT PROJECT AREA
HISTORIC ASSESSED VALUATIONS
(Fiscal Years 2002/03 to 2007/08)**

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Percentage Change</u>
2002/03	\$272,518,765	9.6%
2003/04	320,641,550	17.6
2004/05	346,483,009	8.1
2005/06	397,398,881	14.7
2006/07	466,271,102	17.3
2007/08	502,813,688	7.8

Source: County of Contra Costa Auditor-Controller; HdL Coren & Cone.

See APPENDIX E hereto for a description of factors which have affected assessed valuation in the Project Area, including estimates of decreases due to assessment appeals, and increases projected due to new development and reassessments triggered by property transfers.

Property Tax Delinquencies; Teeter Plan

Section 4701 through Section 4717 of the California Revenue and Taxation Code permits counties to use a method of apportioning taxes (commonly referred to as the “Teeter Plan”) whereby local agencies receive 100% of their respective shares of amounts levied from the County, without regard to actual collections of taxes. The Agency has such an agreement with the County and therefore receives the full amount of the Incremental Tax Revenues levied on the tax rolls in a timely manner. Due to this allocation method, the Agency does not receive any adjustments for redemption payments on delinquent collections.

Projected Tax Revenues

The Fiscal Consultant currently projects that Incremental Tax Revenues produced in the Project Area will be approximately \$4,061,000 in Fiscal Year 2007/08 (which reflects unitary revenues and payment of the County collection charge), an increase of \$450,476 (12.48%) from the Incremental Tax Revenues in Fiscal Year 2006/07 (excluding Supplemental Revenues). The Tax Revenues are projected to be \$2,272,267 (reflecting deduction of non-housing debt service on the Series 2003 Bonds) in Fiscal Year 2007/08, and are net of projected County administrative charges. See APPENDIX B hereto and "Assessment Appeals" above for a discussion of the Fiscal Consultant's assumptions regarding assessment appeals.

In addition, the projections set forth below assumes annual real property growth at 2%, plus the value of transferred property (property transferred but not yet on tax roll) in Fiscal Year 2008/09 of approximately \$3,987,500. Any reduction in growth would have a significant impact on the Tax Revenues available to pay debt service on the Bonds. The following table illustrates the projected Tax Revenues and estimated debt service coverage:

TABLE 6
OAKLEY REDEVELOPMENT PROJECT AREA
TAX INCREMENT REVENUE PROJECTION (000's Omitted)

Fiscal Year	Total Value⁽¹⁾⁽⁴⁾	Incremental Value⁽²⁾	Incremental Revenue⁽³⁾	Housing Set-Aside	County Charge⁽⁵⁾	County Payments	Tax Sharing Payments	Gross Tax Revenue
2007/08	\$502,814	\$400,247	\$3,999	(\$800)	(\$37)	(\$225)	(\$89)	\$2,848,000
2008/09	516,246	413,679	4,129	(826)	(38)	(275)	(92)	2,898,000
2009/10	525,959	423,392	4,221	(844)	(39)	(300)	(94)	2,944,000
2010/11	535,866	433,299	4,308	(862)	(40)	(297)	(96)	3,013,000
2011/12	545,972	443,405	4,403	(881)	(41)	--	(98)	3,384,000
2012/13	556,280	453,712	4,501	(900)	(42)	--	(100)	3,459,000
2013/14	566,793	464,226	4,600	(920)	(43)	--	(103)	3,535,000
2014/15	577,518	474,950	4,702	(940)	(44)	--	(105)	3,613,000
2015/16	588,456	485,889	4,805	(961)	(45)	--	(107)	3,692,000
2016/17	599,614	497,046	4,906	(981)	(46)	--	(110)	3,770,000
2017/18	610,994	508,427	5,009	(1,002)	(47)	--	(112)	3,848,000
2018/19	622,602	520,035	5,113	(1,023)	(48)	--	(114)	3,929,000
2019/20	634,442	531,875	5,220	(1,044)	(49)	--	(117)	4,010,000
2020/21	646,520	543,952	5,328	(1,066)	(50)	--	(119)	4,093,000
2021/22	658,838	556,271	5,438	(1,088)	(51)	--	(122)	4,178,000
2022/23	671,403	568,836	5,558	(1,112)	(52)	--	(125)	4,270,000
2023/24	684,220	581,652	5,680	(1,136)	(53)	--	(127)	4,364,000
2024/25	697,292	594,725	5,805	(1,161)	(54)	--	(130)	4,459,000
2025/26	710,626	608,059	5,932	(1,186)	(55)	--	(133)	4,557,000
2026/27	724,227	621,660	6,062	(1,212)	(57)	--	(136)	4,657,000
2027/28	738,100	635,533	6,194	(1,239)	(58)	--	(139)	4,758,000
2028/29	752,250	649,683	6,329	(1,266)	(59)	--	(142)	4,862,000
2029/30	766,683	664,116	6,467	(1,293)	(60)	--	(145)	4,967,000
2030/31	781,405	678,838	6,607	(1,321)	(62)	--	(149)	5,075,000
2031/32	796,422	693,855	6,750	(1,350)	(63)	--	(152)	5,185,000
2032/33	811,738	709,171	6,897	(1,379)	(65)	--	(155)	5,297,000
2033/34	827,361	724,794	7,046	(1,409)	(66)	--	(159)	5,412,000
2034/35	843,297	740,730	7,198	(1,440)	(67)	--	(162)	5,529,000
2035/36	859,551	756,984	7,353	(1,471)	(69)	--	(166)	5,648,000
2026/37	876,130	773,563	7,511	(1,502)	(70)	--	(169)	5,769,000
3037/38	893,041	790,474	7,672	(1,534)	(72)	--	(173)	5,893,000

Source: HdL Coren & Cone.

- (1) Real property in the Project Area is assumed to increase by 2% annually. Other property is assumed to remain constant at the Fiscal Year 2007/08 value. Does not include the estimated impact of assessment appeals.
- (2) The Base Year of the Project Area is Fiscal Year 1989/90 for the Original Area and 2001/02 for the Added Area.
- (3) Based on the Fiscal Year 2007/08 tax rate. Gross Tax Increment excludes supplemental revenues. Reflects Section 33676 adjustments.
- (4) Includes unitary revenue of \$8,000.
- (5) The actual County Administrative Charge for Fiscal Year 2007/08. Remaining years are estimated at 0.91% of gross tax increment revenue.

**TABLE 7
OAKLEY REDEVELOPMENT PROJECT AREA
PROJECTED DEBT SERVICE COVERAGE**

<u>Fiscal Year (June 30)</u>	<u>Gross Tax Revenues⁽¹⁾</u>	<u>Series 2003 Debt Service⁽²⁾</u>	<u>Bonds Debt Service</u>	<u>Total Debt Service⁽³⁾</u>	<u>Total Coverage</u>
2008	\$2,848,000	\$575,733	\$ 0	\$ 575,733	495%
2009	2,898,000	573,053	0	573,053	506
2010	2,944,000	576,197	1,200,660	1,776,857	166
2011	3,013,000	574,380	1,200,660	1,775,040	170
2012	3,384,000	576,373	1,510,660	2,087,033	162
2013	3,459,000	573,405	1,538,260	2,111,665	164
2014	3,535,000	574,247	1,559,260	2,133,507	166
2015	3,613,000	573,224	1,583,860	2,157,084	167
2016	3,692,000	575,717	1,606,860	2,182,577	169
2017	3,770,000	572,934	1,633,260	2,206,194	171
2018	3,848,000	573,666	1,657,860	2,231,526	172
2019	3,929,000	573,392	1,650,105	2,223,497	177
2020	4,010,000	575,354	1,640,880	2,216,234	181
2021	4,093,000	575,988	1,635,725	2,211,713	185
2022	4,178,000	575,294	1,629,105	2,204,399	190
2023	4,270,000	573,271	1,625,980	2,199,251	194
2024	4,364,000	574,191	1,615,918	2,190,108	199
2025	4,459,000	573,094	1,614,428	2,187,522	204
2026	4,557,000	574,649	1,606,178	2,180,826	209
2027	4,657,000	574,314	1,601,740	2,176,054	214
2028	4,758,000	572,090	1,600,500	2,172,590	219
2029	4,862,000	0	1,996,000	1,996,000	244
2030	4,967,000	0	1,999,750	1,999,750	248
2031	5,075,000	0	1,995,250	1,995,250	254
2032	5,185,000	0	1,997,750	1,997,750	260
2033	5,297,000	0	1,996,750	1,996,750	265
2034	5,412,000	0	1,997,250	1,997,250	271
2035	5,529,000	0	1,999,000	1,999,000	277
2036	5,648,000	0	1,996,750	1,996,750	283
2037	5,769,000	0	1,995,500	1,995,500	289
2038	5,893,000	0	1,995,000	1,995,000	295

Source: HdL Coren & Cone and E. J. De La Rosa & Co., Inc.

(1) See Table 6 above.

(2) Reflects payment of non-housing component of debt service (the remaining approximately 14.59% of debt service is paid from the housing set-aside).

(3) Debt Service on Series 2003 Bonds and the Bonds calculated on a Bond Year basis, excluding the portion of debt service on the Series 2003 Bonds expected to be paid from the Low and Moderate Income Housing Fund, and excluding capitalized interest on the Bonds through September 1, 2009.

Assessment Appeals

Taxable property values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. At the time of filing, applicants are required to estimate an opinion of value. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the applicant/property owner. The reduction in future project area taxable values and the refund of taxes affect all taxing entities,

including the Agency. There are currently no appeal requests on record with the County from the ten largest taxpayers in the Project Area which would decrease Fiscal Year 2007/08 assessed values in the Project Area. The Agency is unable to obtain information on any other assessment appeals from the County at this time. The County has two (2) years from the date of filing to rule on appeal requests. If the County reduces the assessed value of any parcel, there can be no assurance that the reduction will be by the amount estimated by the Fiscal Consultant. Also, additional appeals on property within the Project Area may be filed in the future.

TAX EXEMPTION

General. In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds received by the Owners of the Bonds (the "Interest Portion") is excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, the Interest Portion is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in APPENDIX D hereto.

The Internal Revenue Code of 1986 (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 Bonds. The Agency has covenanted to comply with certain restrictions designed to assure that the Interest Portion will not be includable in federal gross income. Failure to comply with these covenants may result in the Interest Portion being included in federal gross income, possibly from the date of execution and delivery of the Bonds. The opinion of Bond Counsel assumes 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) after the date of execution and delivery of the Bonds may affect the value of, or the tax status of the Interest Portion. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of the Interest Portion of, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that the Interest Portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to obligations such as that represented by the Bonds, (ii) interest with respect to obligations such as those represented by the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to obligations such as those represented by the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into

account, in determining gross income, receipts or accruals of interest on obligations such as those represented by the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount is disregarded.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the Interest Portion on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the such Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Bond based on the purchaser's yield to maturity in such Bonds, except that in the case of such a Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such a Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Bond, and with respect to the state and local tax consequences of owning and disposing of such a Bond.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that the Interest Portion is excludable from federal gross income, and that the Interest Portion is exempt from State of California personal income taxes, the ownership or disposition of the Bonds, and the accrual or

receipt of the Interest Portion may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent 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. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

Information Reporting and Backup Withholding. Information reporting requirements will apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest with respect to the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

CERTAIN LEGAL MATTERS

Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture, and as to the validity of the Bonds. Certain matters will be passed upon for the Agency by the City Attorney, as its general counsel.

LITIGATION

There is no action, suit or proceeding pending or, to the knowledge of the Agency officials, threatened, restraining or enjoining the creation of the Project Area or the execution or delivery of the Bonds or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency or the City taken with respect to any of the foregoing.

FINANCIAL ADVISOR

The Agency has retained Public Financial Management, Inc., San Francisco, California, as Financial Advisor (the "Financial Advisor") for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of 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 or other public securities.

PROFESSIONAL FEES

In connection with the execution of the Bonds, fees payable to Nossaman, Guthner, Knox & Elliott, LLP, as Bond Counsel and Disclosure Counsel, Public Financial Management, Inc. as Financial Advisor and Wells Fargo Bank, National Association, as Trustee, are contingent upon the execution and delivery of the Bonds.

RATINGS

The Bonds will be assigned ratings of "AAA" and "AA" by Standard & Poor's ("S&P"), a Division of McGraw-Hill Companies, and Fitch Ratings ("Fitch"), respectively, based on the issuance by the Insurer of the Insurance Policy with respect to the Bonds. The Bonds have been assigned ratings of "A-" and "A-" by S&P and Fitch, respectively, without regard to the issuance of the Policy.

The ratings reflect only the views of the respective rating agency, and any explanation of the significance of such ratings should be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The Agency undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

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. Each of the rating agencies has recently issued press releases or reports stating that they are examining the potential effects of downturns in the market for structured finance ("SF") instruments, including collateralized debt obligations ("CDOs") and residential mortgage-backed securities ("RMBS"), on the claims-paying ability of the bond insurance companies, including the Insurer. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Agency has agreed to sell the Bonds to the Authority, and the Authority has agreed to sell the Bonds to E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$24,506,612.95 (the principal amount of the Bonds, less an Underwriter's discount in the amount of \$119,201.25, and less net original issue discount of \$469,185.80). The obligations of the Underwriter are subject to certain conditions precedent, and they will be obligated to

purchase all such Bonds if any such Bonds are purchased. The public offering prices of the Bonds may be changed from time to time by the Underwriter.

The Underwriter reserves the right to join with dealers and other underwriters in offering the applicable Series of Bonds to the public. The Underwriter may offer and sell such Series to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries and do not purport to be complete or definitive. Prospective purchasers of the Bonds are advised to refer to such documents and reports for full and complete statements of their contents. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Owners of any of the Bonds. The execution of this Official Statement and its use in connection with the offering of the Bonds for sale have been authorized by the Agency.

OAKLEY REDEVELOPMENT AGENCY

By: /s/ Bryan Montgomery
Executive Director

purchase all such Bonds if any such Bonds are purchased. The public offering prices of the Bonds may be changed from time to time by the Underwriter.

The Underwriter reserves the right to join with dealers and other underwriters in offering the applicable Series of Bonds to the public. The Underwriter may offer and sell such Series to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries and do not purport to be complete or definitive. Prospective purchasers of the Bonds are advised to refer to such documents and reports for full and complete statements of their contents. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Owners of any of the Bonds. The execution of this Official Statement and its use in connection with the offering of the Bonds for sale have been authorized by the Agency.

OAKLEY REDEVELOPMENT AGENCY

By: 
Executive Director

APPENDIX A

SUMMARY OF INDENTURE

Definitions

“Additional Revenues” means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to (i) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls and/or, (ii) inflation at an assumed annual inflation rate equal to the lesser of (a) the annual rate of inflation for the preceding twelve- month period for which figures are available or (b) two percent (2%), but only if the rate of inflation had increased by at least two percent (2%) in each of the preceding five Fiscal Years, and/or (iii) new construction for which building permits have been issued by the City pursuant to which construction has been completed. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

“Annual Debt Service” for the Bonds and any Parity Bonds means, for each Bond Year, the sum of (1) the interest falling due on such Outstanding indebtedness in such Bond Year, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms in such Bond Year including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

“Bond Counsel” means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities and selected by the Agency.

“Bond Year” means, with respect to the Bonds, the twelve-month period ending on September 2 of each year; provided, however, that the first Bond Year shall begin on the Closing Date and end on September 2, 2008.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York and Los Angeles, California, are authorized or obligated by law to be closed.

“Certificate of the Agency” means an instrument in writing signed by either the Chair, the Executive Director, or by any other officer of the Agency duly authorized by the Agency for that purpose.

“Code” means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

“County” means the County of Contra Costa, California.

“County Assessor” means the person who holds the office in the County in which the Agency is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

“County Auditor-Controller” means the person who holds the office in the County in which the Agency is located designated as the County Auditor-Controller, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event Said office is ever abolished or changed.

“Debt Service” for the Bonds and any Parity Bonds means, with respect to an Interest Payment Date or Principal Payment Date (1) the interest falling due on such Outstanding indebtedness on such Interest Payment Date, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms on such Principal Payment Date, including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

“Event of Default” means any of the events described in the Indenture.

“Federal Securities” means direct general 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 of the United States of America).

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereafter selected and designated by the Agency as its official fiscal year period.

“Housing Tax Revenues” means those Tax Revenues which are required to be deposited into the Low and Moderate Income Housing Account pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law.

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

- (1) is in fact independent and not under 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 an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Independent Fiscal Consultant” means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

- (1) is in fact independent and not under 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 an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Interest Payment Date” means September 1 and March 1 in any year in which Bonds are Outstanding, commencing September 1, 2008.

“Law” means the Community Redevelopment Law of the State of California, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, as amended and supplemented.

“Low and Moderate Income Housing Account” means the account by that name established and held by the Agency.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount of Annual Debt Service on all Outstanding Bonds for the current or any future Bond Year.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except-

(1) Bonds therefore canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Parity Bond Indenture.

“Owner” or “Bondowner” means the person or persons whose name appears on the registration books maintained by the Trustee as the registered owner of a Bond or Bonds.

“Parity Bond Indenture” means the any agreement, resolution or other instrument then in full force and effect which has been duly adopted by the Agency, relating to the issuance of Parity Bonds, including a supplement to the Indenture; but only if and to the extent that such Parity Bond Indenture is specifically authorized under the Indenture.

“Parity Bonds” means any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency payable from all or a portion of Tax Revenues on a parity with the Bonds in accordance with the provisions of Sections 3.03 and 3.04 of the Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the Agency as a certification that such investment constitutes a Permitted Investment):

A. The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts (no premium credit shall be given for the investment of accrued and/or capitalized interest):

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The following may to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

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

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

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

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)

- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Insurer

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

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

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

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

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

(b)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment Agreements approved in writing by the Insurer (supported by appropriate opinions of counsel);

(9) other forms of investments (including repurchase agreements) approved in writing by the Insurer;

(10) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment; and

(11) The California Asset Management Program, which constitutes shares in a California common law trust established pursuant to Section 6509.7 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by subdivision (o) of Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

C. The value of the above investments shall be determined as follows:

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

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

(c) As to any investment not specified above: the value thereof established by prior agreement among the Agency, the Trustee, and the Insurer.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (h) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues any purpose, established pursuant to Section 33333.4 or 33333.6 of the Law.

"Principal Corporate Trust Office" means the Trustee's principal corporate trust office in San Francisco, California, or such other office designated by the Trustee from time to time.

"Principal Payment Date" means September 1 in each year in which any of the Bonds mature by their respective terms; and with respect to any Parity Bond means the stated maturity date of such Parity Bond.

"Project" or "Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan, as amended, and the Law for the redevelopment of the Project Area.

"Project Area" or "Redevelopment Project Area" means the Project Area described in the Redevelopment Plan.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redevelopment Consultant" means any consultant or firm of consultants appointed by the Agency and judged by the Agency to have experience in matters relating to

the collection of Tax Revenues or otherwise with respect to financing in redevelopment project areas, and who, or each of whom:

- (1) is in fact independent and not under 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 an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Redevelopment Plan” or “Plan” means the Redevelopment Plan for the Oakley Redevelopment Project Area, approved by Ordinance No. 89-89 enacted by the Board of Supervisors of Contra Costa County on December 21, 1989, as predecessor to the City, together with all amendments thereto at any time duly authorized pursuant to the Law.

“Report” means a Report in writing signed by an Independent Certified Public Accountant, Independent Fiscal Consultant or Redevelopment Consultant 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; and
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Requirement” with respect to the Bonds as of the Closing Date, an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Outstanding Bonds; or (iii) 125% of Average Annual Debt Service on the Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Bonds.

“Senior Lien Bonds” means the Redevelopment Agency of the City of Oakley Taxable Tax Allocation Bonds, Series 2003 (Oakley Redevelopment Project Area), as described in the Senior Lien Indenture.

“Senior Lien Indenture” means the Indenture of Trust, dated as of November 1, 2003, relating to the issuance of the Senior Lien Bonds.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Agency, including administrative expenses of the Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related provisions of the Code.

“Tax Revenues” means amounts remaining after payment of all amounts required to be paid pursuant to the Senior Lien Indenture from all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date within the Plan Limitations pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan payable to or retained by the Agency, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Law, but only to the extent such amounts are specifically pledged to the payment of principal, interest and premium (if any) with respect to the Bonds and any Parity Bonds, but excluding (i) all amounts of such taxes required to be deposited in the Low and Moderate Income Housing Fund (and not includable as set forth in (b) above), (ii) all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Agreements to the extent such Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments, and (iii) amounts, if any, payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, with the resulting amount reduced by all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Statutes to the extent such Tax Sharing Statutes create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments.

“Tax Sharing Statutes” means Section 33607.7 of the Law and, to the extent incorporated pursuant to such Section 33607.7, Section 33607.5 of the Law.

“Tax Sharing Agreements” means (i) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Fire Protection District dated as of December 21, 1989, (ii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa Mosquito Abatement District dated as of December 21, 1989, (iii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the East Bay Regional Park District dated as of December 21, 1989, (iv) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Antioch Unified School District dated as of March 28, 1990, (v) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Oakley Union School District dated as of February 14, 1990, (vi) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Liberty High School District dated as of February 14, 1990, (vii) the agreement by and between the Agency, as successor to the Contra Costa County Redevelopment Agency, and the Contra Costa County Office of Education dated as of December 21, 1989, and (viii) the Jurisdictional Transfer Agreement by and among the Agency, the Contra Costa County Redevelopment Agency, the County and the City, dated as of December 1, 2000 (copies of which are on file in the office of the Secretary of the Agency).

“Treasurer” means the Treasurer of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution delivered to the Trustee or by law to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Agency, if any.

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Trustee for such purpose, by the person in whose name it is registered in person or by his duly authorized attorney upon surrender of such Bond for cancellation accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee duly executed. No transfers of Bonds shall be required to be made (i) during the period fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. No exchanges of Bonds shall be required to be made (i) during the period fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated the Agency, at the expense of the Owner of said Bond, shall execute and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in exchange and substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Agency, at the expense of the Owner, shall execute and the Trustee shall thereupon authenticate and deliver a new Bond of like series, tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

Establishment and Maintenance of Project Fund

There is established a fund entitled the "Oakley Redevelopment Project Area Project Fund" (the "Project Fund") which shall be held and administered by the Agency in accordance with the Indenture. All proceeds and all investment earnings thereon shall be disbursed and expended for eligible costs of the Redevelopment Project, including payment of Costs of Issuance. The Project Fund may contain such accounts and subaccounts as are necessary to account for the proceeds of the Bonds under applicable Agency rules and procedures.

Proceedings for Issuance of Parity Bonds

Whenever the Agency shall determine to issue Parity Bonds, the Agency shall authorize the execution of a Parity Bond Indenture specifying the principal amount and prescribing the form of such Parity Bonds and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining same), redemption provisions and place or places of payment of principal or of premium (if any) and interest on such Parity Bonds, and any other provisions respecting the Parity Bonds not inconsistent with the terms of the Indenture.

Issuance of Senior Lien Bonds

The Agency covenants not to issue any obligations on parity with the Senior Lien Bonds, or any other obligation with a lien on Tax Revenues senior to the lien of the Bonds.

Pledge of Tax Revenues

The Bonds shall be secured by a pledge (which pledge shall be effected in the manner and to the extent provided in the Indenture) of all of the Tax Revenues (except as otherwise provided in the Indenture), and by a pledge of all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund. Tax Revenues shall be initially allocated solely to the payment of the principal and interest, and redemption premium, if any, of the Bonds and to the Reserve Account; provided that out of the Tax Revenues there may be apportioned such amounts for such other purposes as are expressly permitted. The pledge and allocation of Tax Revenues is for the exclusive benefit of the Bonds and any Parity Bonds and shall be irrevocable until all of the Bonds have been paid and retired or until moneys have been set aside with the Trustee irrevocably for that purpose. In consideration of the acceptance of the Bonds by those who shall own them from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds and the covenants and agreements in the Indenture set forth to be performed on behalf of the Agency shall be for the equal and proportionate security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof, of the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Special Fund; Deposit of Tax Revenues

There is hereby established a special fund to be known as the "Oakley Redevelopment Project Area Special Fund" (the "Special Fund"), which shall be held by the Trustee. The Agency shall immediately upon receipt of Tax Revenue deposit Tax Revenues in the Special Fund, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Sinking Account and the Redemption Account in such Bond Year and for deposit in such Bond Year into the funds and accounts established with respect to Parity Bonds. Any Tax Revenues received by the Agency during any Bond Year in excess of the amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account in such Bond Year, shall be released from the pledge and lien under the Indenture and may be used for any lawful purpose of the Agency.

Establishment and Maintenance of Accounts

All moneys in the Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts of the Special Fund (each of which is hereby created to be held in trust by the Trustee) in the following order of priority:

- (a) Interest Account. On or before the fifth (5th) Business Day preceding each date on which scheduled interest on the Bonds becomes due and payable, the Trustee shall transfer from the Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in

the Interest Account will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Bonds issued under the Indenture and then Outstanding. 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 as it shall become due and payable.

(b) Principal Account. On or before the fifth (5th) Business Day preceding each date on which scheduled principal on the Bonds becomes due and payable, the Trustee shall transfer from the Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account will be equal to the principal becoming due and payable on the Bonds on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether by reason of scheduled maturity or mandatory sinking fund redemption.

(c) Reserve Account. The Reserve Account shall initially be funded, and shall continuously be funded, in an amount equal to the Reserve Requirement. The Reserve Account shall initially be funded by the deposit of proceeds of the Bonds. On or before the fifth (5th) Business Day preceding each date on which interest or principal on the Bonds becomes due and payable, and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall withdraw from the Special Fund and deposit in the Reserve Account an amount of money, if any, required to maintain the Reserve Account in the full amount of the Reserve Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of, or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount required by this paragraph to be on deposit therein on September 2 of each year, except as in the Indenture otherwise provided, shall be transferred to the Interest Account. With the prior written consent of the Insurer, the Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Agency has received confirmation from any rating agency than rating the Bonds that replacement will not adversely affect the rating on the Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit

facility, must be rated in one of the two highest rating categories by Standard & Poor's at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee shall transfer moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes. In the event of a downgrade revision in the rating of such letter of credit, bond insurance policy or other comparable credit facility provided after the Closing, the Agency shall promptly transfer all available surplus described in (d) below to the Reserve Account until the earlier of (i) the time when the amount in the Reserve Account equals the Reserve Requirement in which case the Agency shall thereafter terminate the facility or (ii) the time when the Agency secures a substitute letter of credit, bond insurance policy or other credit facility for the Bonds.

(d) Payments to Insurer. To the extent any amounts are due and owing to the Insurer, the Trustee, after making the deposits specified above, shall pay to the Insurer such other amounts not paid to an Owner pursuant to subparagraph (a) or (b) above.

(e) Surplus. Except as may be otherwise provided in any Parity Bond Indenture, the Agency shall not be obligated to transfer to the Trustee for deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the accounts required in such Bond Year. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any September 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a), (b) and (c) and pursuant to any Parity Bond Indenture, the Trustee shall transfer such amounts to the Agency for use for any lawful purpose.

Punctual Payment

The Agency will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Parity Bond Indentures and of the Bonds. Nothing in the Indenture contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Extension of Time for Payment

In order to prevent any accumulation of 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 of the Bonds and will not, directly or indirectly, approve any such arrangement 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.

Against Encumbrances

Except for Parity Bonds, the Agency covenants and agrees that it will not issue any other obligations payable, as to either principal or interest, from the Tax Revenues which have, or purport to have, any lien upon the Tax Revenues superior to or on a parity with the lien of the Bonds; provided, however, that nothing in the Indenture shall prevent the Agency from issuing and selling pursuant to law refunding bonds or other refunding obligations payable from and having a lien on a parity basis with all Outstanding Parity Bonds upon the Tax Revenues if such refunding bonds or other refunding obligations are issued and are sufficient for the purpose of refunding all or a portion of the Bonds then Outstanding, or from issuing obligations which have a lien on Tax Revenues subordinate to the Bonds.

Protection of Security and Rights of Bondowners

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

Payments of Taxes and Other Charges

The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due. Nothing in the Indenture contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Compliance with Law, Completion of Redevelopment Project

The Agency will comply with all applicable provisions of the Law in completing the Redevelopment Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. The Agency will commence, and will continue to completion, with all practicable dispatch, the Redevelopment Project and the Redevelopment Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Taxation of Leased Property

Whenever any property in the Redevelopment Project has been redeveloped and thereafter is leased by the Agency to any person or persons (other than the City), or whenever the Agency leases real property in the Redevelopment Project to any person or persons (other than the City) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law.

Disposition of Property

The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions occurring after the Closing Date, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as provided in the Indenture. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the Report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially adversely impaired by said proposed disposition, the Agency shall not approve said proposed disposition.

Tax Revenues

The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency will not amend the Redevelopment Plan in a manner that will reduce Tax Revenues in any future Fiscal Year unless the Agency first obtains the report of an Independent Fiscal Consultant stating that the Tax Revenues for the then current Fiscal Year (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such Fiscal Year), are at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service immediately following the effective date of such amendment. The Agency will not enter into any agreement with the County or any other governmental or private entity, which would have the effect of reducing the amount of Tax Revenues otherwise available to the Agency for payment of the Bonds, unless such agreement or amendment constitutes Subordinate Debt, provided, such limitation shall not apply to amendments to the Redevelopment Plan which result in payments pursuant to the Tax Sharing Statutes, where such amendment otherwise complies with this section.

Non-Arbitrage Bonds

The Agency covenants with the Owners of the Bonds at any time Outstanding that it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 or any successor section of the Code. To that end, so long as any of the Bonds are Outstanding, the Agency, with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 148 or any successor section and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Private Business Use Limitations

Not in excess of ten percent (10%) of the Net Proceeds (as defined below) of the Bonds will be used for a Private Business Use (as defined below) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the

Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use. In the event that both (i) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a Private Business Use, and (ii) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use, then said five percent (5%) of Net Proceeds of the Bonds used for a Private Business Use will be used for a Private Business Use related to the governmental use of the Project. "Net Proceeds," when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium if any, less original issue discount and less proceeds deposited in the Reserve Account. "Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a governmental unit and use by a nongovernmental unit as a member of the general public.

Private Loan Limitation

The Agency is required to assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations, as defined in the Code) to persons other than state or local government units.

Compliance with the Code

The Agency covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code in order to maintain the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of the interest on the Bonds paid by the Agency and received by the owners of the Bonds.

Limit on Indebtedness

The Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Bonds, any Subordinate Debt, and any Parity Bonds. The Agency shall take no action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time would cause, any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the Bonds when due. Without limiting the foregoing, the Agency hereby agrees that it shall calculate annually not later than December 31 each year, the aggregate amount of Tax Revenues which it remains entitled to receive under the Plan Limitations for the Project Area. In the event that the aggregate amount of Tax Revenues which the Agency is permitted to receive under the Plan Limitations for the Project Area, plus the amount then held on deposit in any fund or account which is set

aside by the Agency to make its debt payments with respect to the Project Area and the earnings which are reasonably expected to accrue thereon, are reasonably estimated at any time to be less than one hundred and five percent (105%) of the aggregate amount of annual debt payments remaining to be made with respect to such Project Area or of the amount required to replenish the Reserve Account for the Bonds and any similar account for any Parity Bonds, the Agency shall immediately notify the Insurer and shall either (a) deposit with the Trustee an amount of Tax Revenues sufficient to redeem Bonds or pay debt service without regard to interest earnings thereon in such aggregate principal amount as shall be required to cause the Agency to meet such requirements, or (b) set aside with the Trustee or into a dedicated fund or account to be held by the Agency an amount of Tax Revenues which, together with earnings to be derived from the investment thereof, will be sufficient to enable the Agency to meet such requirements, or (c) decline to accept Tax Revenues from the County in an amount sufficient to enable the Agency to meet such requirements. Notwithstanding anything in the Indenture to the contrary, the provisions of this Section 6.17 may be modified or waived with the written consent of the Insurer.

Continuing Disclosure

The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Indenture; however, the Owner 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.

Amendment of Redevelopment Plan

The Agency shall not amend the Redevelopment Plan, or enter into any agreement with the County or any other governmental unit, which would have the effect of materially reducing the amount of Tax Revenues available to the Agency for payment of debt service on the Bonds. Nothing in the Indenture is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its terms is subordinate to the payment of the debt service on the Bonds and all Parity Bonds.

The Trustee

The Trustee shall only be obligated to perform such duties as are expressly set forth in the Indenture, and no duties or obligations not expressly set forth in the Indenture shall be implied. The Trustee shall, during the existence of any Event of Default (which has not been cured), 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 person would exercise or use under the circumstances in the conduct of his own affairs. The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing. The Agency shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), with the consent of the Insurer, or (ii) if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control

or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee and the Insurer, whereupon in the case of the Trustee, the Agency shall appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Insurer and the Bondowners notice of such resignation by mail at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee, acceptable to the Insurer, by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted such appointment.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository 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 Bondowners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee shall not be liable for any error of judgment made in good faith by its officers, agents, directors or employees, unless it shall be proved that it was negligent in ascertaining the pertinent facts. 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 the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding 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. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, requisition, report, opinion, bonds or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, 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. The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trust imposed upon it by the Indenture the Trustee 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 in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture if repayment of such funds or adequate indemnity is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it at the maximum rate permitted by law.

Deposit and Investment of Moneys in Fund

Moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account, the Project Fund and the Redemption Fund shall be invested by the Trustee and Agency, as applicable, in Permitted Investments as specified by the Treasurer of the Agency, and shall be promptly confirmed in writing by the Agency with the Trustee within at least one (1) Business Day; provided, that investments of amounts in the Reserve Account shall not have a maturity of more than five (5) years, except for Investment Agreements approved by the Insurer unless callable at par for any purpose required by the Indenture. In the absence of any such direction provided by the Treasurer of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (5) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (other than with respect to funds held by the Agency) shall be retained in the respective funds and accounts to be used for the purposes thereof; provided, however, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account, but only to the extent that the amount remaining in the Reserve Account following such deposit is equal to the Reserve Requirement.

In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest. The Trustee shall perform such valuation (i) as frequently as requested by the Insurer, but in no event less often than each Interest Payment Date or more frequently than monthly, and (ii) upon any draw on the Reserve Account. If amounts on deposit in the Reserve Account shall, at the time of valuation, be less than the Reserve Requirement, the Reserve Account shall be valued monthly until amounts on deposit therein equal the Reserve Requirement. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Permitted Investments credited to such fund or account shall be valued by the Trustee, as set forth in the definition of Permitted Investments.

Rebate of Excess Investment Earnings to United States

The Agency shall calculate or cause to be calculated, and shall provide or cause to be provided written notice to the Trustee of, the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The Agency shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations is given promptly to the Trustee. The Agency agrees to deposit with the Trustee the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the Agency in the Rebate Account. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Account such amounts as shall be identified pursuant to written notice filed with the Trustee by the Agency for such purpose from time to time.

Amendments Permitted

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by a supplemental Indenture with the prior written consent of the Insurer and pursuant to the affirmative vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (1) extend the maturity of any Bond or reduce

the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise provided in the Indenture) or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a supplemental Indenture, with the prior written consent of the Insurer but without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any right or power in the Indenture reserved to or conferred upon the Agency; or

(b) to make modifications not adversely affecting any Outstanding Bonds or Parity Bonds of the Agency in any material respect; or

(c) with the written consent of the Trustee to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, or in any other manner as the Agency and the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the rights of the Owners of the Bonds or Parity Bonds; or

(d) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued.

Procedure for Amendment with Written Consent of Bondowners

The Agency may at any time adopt a supplemental Indenture amending the provisions of the Bonds or of the Indenture or any supplemental Indenture, to the extent that such amendment is permitted. A copy of such supplemental Indenture, together with a request to Bondowners for their consent thereto, shall be mailed by the Agency to each registered Owner of Bonds Outstanding, but failure to mail copies of such supplemental Indenture and request shall not affect the validity of the supplemental Indenture when assented to as in this Section provided. Such supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified) and a notice shall have been mailed as provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given.

Events of Default and Acceleration of Maturities

The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; provided, that in determining if such Event of Default has occurred, no consideration shall be given to payments made under the Insurance Policy;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following the receipt by the Agency of written notice from the Trustee or any Bondowner of the occurrence of such default; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30) day period and diligently pursued until such failure is corrected; or

(c) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the Trustee shall give written notice thereof to the Insurer. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the prior written consent of the Insurer and shall, at the direction of the Insurer, exercise any remedies available to the Trustee and the Bondowners in law or at equity. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Indenture, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Indenture.

This provision, however, is subject to the condition that if, at any time after any Event of Default shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall correct any default under the Supplemental Resolution or deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason

of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, with the prior written consent of the Insurer, by written notice to the Agency, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds

Upon an Event of Default, all of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and thereafter of the Bondowners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, or any Bond over any other Bond, ratably to the aggregate of such principal and interest; and

Third, To the payment of the Insurer of all amounts payable to the Insurer under the Indenture not paid pursuant to First and Second above.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, without the prior written consent of the Insurer and unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondowners' and Insurer's Right to Sue

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity acceptable to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) such Owners have obtained the prior written consent of the Insurer.

Non-waiver

Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds on the respective Interest Payment Dates, as in the Indenture provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. The Trustee shall not waive any default without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee, the Insurer or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee, the Insurer or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee, the Insurer or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Insurer. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or the Owners, the Trustee, the Insurer, the Owners and the Agency shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Trustee, the Insurer or the Owners of Bonds is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the law or any other law.

Rights of Insurer in the Event of Insolvency

Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Insurer. In the event of any reorganization or liquidation by the Agency, the

Insurer shall have the right to vote on behalf of all Owners absent a default by the Insurer under the Insurance Policy.

Rights of Insurer to Control Proceedings

So long as the Insurer is providing the Insurance Policy, and is not in default thereunder, the Insurer shall be deemed to be the sole Owner of the Outstanding Bonds for purposes of exercising any voting right or privilege, or for purposes of giving any consent or directing or taking any action, that the Owners are entitled to.

Effect of Insurance Policy

Notwithstanding any other provision of the Indenture, in determining whether the rights of Bondholders 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 Bondholders as if there were no Insurance Policy.

Certain Provisions for the Benefit of the Insurer

For so long as the Insurance Policy is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Agency agrees as follows:

Amendments or Supplements. Any amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds shall also require the consent of the Insurer.

Events of Default. Upon the occurrence of an Event of Default under the Indenture, the Insurer shall be deemed the Owner of all Bonds, and shall have all the rights as the Owner of the Bonds as are specified in the Indenture, provided that the Insurer is not in default under the Insurance Policy.

Insurer as Third Party Beneficiary. The Insurer is a third-party beneficiary under the Indenture and shall have the power to enforce any right, remedy or claim conferred, given or granted under the Indenture

Subrogation. If principal and/or interest due on the Bonds shall be paid by the Insurer, the Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Agency, and the assignment and pledge of the Tax Revenues and other amounts pledged to the payment of Debt Service of the Bonds under the Indenture, and all covenants, agreements and other obligations of the Agency to the Holders of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders.

When Consent of Insurer is Required

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer. Unless otherwise provided in this Section, the Insurer's consent shall be required in lieu of Owner consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture or any

amendment, supplement or change to or modification of the Indenture; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Owners who hold the Insurer-insured Bonds absent a default by the Insurer under the Insurance Policy insuring such Bonds..

Benefits of Indenture Limited to Parties

Nothing in the Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Owners of the Bonds, any right, remedy, claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Insurer, the Owners of the Bonds and the Trustee.

Discharge of Indenture

If the Agency shall pay and discharge the entire indebtedness on all of a series of Bonds Outstanding in any one or more of the following ways-

(1) by well and truly paying or causing to be paid the principal of and interest on all such Bonds Outstanding, as and when the same become due and payable;

(2) by irrevocably depositing with the Trustee, in trust, at or before maturity money which, together with the amounts then on deposit in the funds and accounts established pursuant to the Indenture is fully sufficient to pay all such Bonds Outstanding, including all principal, interest and redemption premiums; or

(3) by irrevocably depositing with the Trustee, in trust, Permitted Investments allowed for such purpose in such amount as an Independent Fiscal Consultant shall certify to the Trustee, based upon a certificate of an Independent Certified Public Accountant, will together with the interest to accrue thereon and moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and 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 the giving of such notice, then notwithstanding that any of such series of Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Agency under the Indenture with respect to all Bonds of such series Outstanding shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues shall not be payable to the Trustee.

If, subject to above conditions, the Agency shall pay or cause to be paid or make provision for the payment to the owners of less than all of the Outstanding Bonds of a series the principal of and premium, if any, and interest on such Bonds which is and shall thereafter become due and payable upon such Bonds in accordance with the provisions of clauses (1), (2) and (3) above, such Bonds, or portions thereof, shall cease to be entitled to any lien, benefit or security under the Indenture. Any funds thereafter held by the Trustee which are not required

for said purpose or for any remaining fees or expenses of the Trustee or the Insurer shall be paid over to the Agency. Notwithstanding anything contained in the Indenture to the contrary, in the event that the principal and/or interest due on a series of the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and all covenants, agreements and other obligations of the Agency to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

Waiver of Personal Liability

No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Governing Law

The Indenture shall be governed by and construed in accordance with the laws of the State of California.

Unclaimed Moneys

Anything contained in the Indenture to the contrary notwithstanding, but subject to applicable escheat laws, any money held by the Trustee for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be delivered to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Agency for the payment of the interest and premium (if any) on and principal of such Bonds.

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APPENDIX B

CITY OF OAKLEY ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information regarding the City and the surrounding area is presented as general background data. The Bonds are payable solely from the sources described herein (see "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR"). The taxing power of the City of Oakley, the County of Contra Costa, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See the information under the caption "THE BONDS."

The City and the County

The City. One of California's newest cities, the City of Oakley incorporated in July 1999 in order to manage growth and improve law enforcement services through its own city police force. The City is situated in the eastern portion of the County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and the state capital at Sacramento, Oakley is equidistant from San Francisco and Sacramento, at approximately 55 miles. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north.

The County. Situated northeast of San Francisco, Contra Costa County (the "County") is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Municipal Government

The City was incorporated in 1999 as a general law city. The City's Council/Manager form of government is a system founded on the balance between the policy-setting functions of the City Council and the management expertise of an appointed City Manager. City Council members are each elected by popular vote of City residents to serve for four-year terms. A new mayor is selected each year on a rotating basis from its members. Numerous commissions, committees, and task forces operate in concert with the Council to address issues identified by staff and the community.

Population

The following chart indicates historic population estimates of the City, the County and the State of California.

HISTORICAL CITY, COUNTY AND STATE POPULATION DATA

<u>Year</u>	<u>City of Oakley</u>	<u>Contra Costa County</u>	<u>State of California</u>
2000*	25,619	948,816	33,873,086
2001	26,032	966,845	34,441,561
2002	27,030	983,360	35,088,671
2003	27,733	996,081	35,691,534
2004	28,455	1,088,999	36,252,878
2005	29,068	1,020,384	36,743,186
2006	29,485	1,030,732	37,195,240
2007	31,906	1,042,341	37,662,518

Source: State of California, Department of Finance, as of January 1.

* As of April 1, 2000 (Census Figures). All other years are as of January 1st.

Commercial Activity

Total taxable sales during calendar year 2006 in the City were reported to be \$110,243,000, a 5.6% increase over the total taxable sales of \$104,394,000 reported during calendar year 2005. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table.

CITY OF OAKLEY Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

<u>Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2000	166	\$69,159	357	\$75,194
2001	159	78,745	359	85,017
2002	169	79,824	366	86,431
2003	176	81,545	374	89,959
2004	175	82,838	385	92,880
2005	180	89,250	383	104,394
2006	172	95,097	378	110,243

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during calendar year 2006 in the County were reported to be \$13,867,661,000, a 2.9% increase over the total taxable sales of \$13,480,075,000 reported during calendar year 2005. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table:

CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

<u>Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2000	10,791	\$8,649,419	22,674	\$12,330,560
2001	10,782	8,942,822	22,609	12,256,721
2002	10,386	9,044,346	22,541	12,159,424
2003	11,575	9,025,114	23,253	12,223,295
2004	11,717	9,697,365	23,571	12,990,538
2005	11,776	10,072,084	23,692	13,480,075
2006	11,467	10,275,907	23,249	13,867,661

Source: State Board of Equalization

Employment

As of January 2008, the County's labor force was approximately 499,700; unemployment was approximately 28,300 for a total civilian labor force of approximately 528,000. The unemployment rate was 5.4%. As of January 2008, the City's labor force was approximately 13,500; unemployment was approximately 500 for a total civilian labor force of approximately 14,000. The unemployment rate was 3.8%.

County Labor Force. Since 2002, the county's labor force gained 12,400, to total 526,100 in 2007. After peaking at 6.1% in 2003, the unemployment rate declined to 4.3% in 2006, and increased slightly in 2007 to an unemployment rate of 4.7%. Contra Costa County's unemployment rate has been consistently lower than the rate for California in recent years.

County Employment by Industry. The County's employment by industry numbers are not yet available for 2007. Contra Costa industry employment added 5,900 jobs from 2002 through 2006, a growth of 1.7%. Three industries contributed a total of 9,800 new jobs during the period 2002–2006: leisure and hospitality; professional and business services; and educational and health services. Within leisure and hospitality, accommodation and food service recorded almost all of the growth (3,400 jobs). Employment gains in professional and business services were distributed among three major sectors: management of companies and enterprises (1,400); professional, scientific and technical services (1,100); and administrative and support and waste services (800). Educational and health services gained 3,100, growth of 7.7 percent. During this same period, job loss was recorded in several industries: information; trade, transportation, and utilities; other services; agriculture; and manufacturing. The County's civilian labor force annual averages for 2007 are as follows: the labor force was approximately 501,200; the unemployment was approximately 24,900 for a total civilian labor force of approximately 526,100; and the unemployment rate was 4.7%. The 2007 annual average employment by industry numbers are not yet available.

The civilian labor force, employment and unemployment and industry employment for the County of Contra Costa is outlined in the following table for the past five years from 2002 through 2006.

COUNTY OF CONTRA COSTA
Labor Force, Employment and Unemployment & Employment by Industry

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force ⁽¹⁾	513,700	512,700	512,500	516,100	518,500
Employment	484,300	481,400	484,600	491,000	496,300
Unemployment	29,400	31,300	27,900	25,100	22,200
Unemployment Rate	5.7%	6.1%	5.4%	4.9%	4.3%
Employment by Industry ⁽²⁾					
Total, All Industries	343,200	334,300	337,500	340,300	349,100
Agriculture	2,100	2,000	800	800	700
Natural Resources & Mining	700	600	900	900	1,000
Construction	27,300	26,900	28,000	29,600	29,500
Manufacturing	21,900	20,600	20,600	19,800	20,600
Trade, Transportation & Utilities	62,700	59,300	59,900	60,400	60,400
Wholesale Trade	10,100	9,300	9,000	8,800	9,200
Retail Trade	43,400	42,200	43,400	44,000	44,100
Transportation, Warehousing & Utilities	9,300	7,900	7,500	7,600	7,200
Information	16,000	13,800	14,000	13,500	13,300
Financial Activities	30,800	32,400	32,600	33,900	32,600
Finance and Insurance	23,300	25,100	25,000	26,400	25,300
Real Estate & Rental Leasing	7,500	7,300	7,600	7,600	7,400
Professional & Business Services	48,000	45,100	45,900	46,700	51,300
Professional, Scientific & Technical	22,700	22,200	21,700	22,800	23,800
Management of Companies & Enterprises	6,400	5,300	5,700	5,800	7,800
Administrative & Support and Waste	18,900	17,700	18,600	18,100	19,700
Education & Health Services	40,300	40,400	41,100	40,800	43,400
Leisure and Hospitality	29,100	29,800	30,300	31,500	32,500
Arts, Entertainment & Recreation	6,200	6,200	5,800	6,100	6,300
Accommodation & Food Service	22,900	23,600	24,500	25,400	26,300
Other Services	13,600	13,300	13,900	12,300	12,000
Government	50,500	50,200	49,300	50,200	51,800
Federal Government	6,400	6,300	6,400	5,900	7,100
State Government	900	900	800	800	900
Local Government	43,200	43,000	42,100	43,500	43,800

Source: State of California Employment Development Department.

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

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

Construction

The following tables show a six- year summary of the valuation of building permits issued in the City and a six-year summary in the County

CITY OF OAKLEY Building Permit Valuation (Dollar Amounts Are Stated Fully)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential						
Single Family	\$68,124,469	\$81,312,687	\$70,107,108	\$163,034,874	\$201,692,218	\$98,567,026
Multi-Family Dwelling	0	0	0	10,981,806	0	25,462,222
Alterations/Additions	<u>945,604</u>	<u>2,316,981</u>	<u>2,314,453</u>	<u>2,654,593</u>	<u>2,063,239</u>	2,206,547
Total Residential:	\$69,070,073	\$83,629,668	\$72,421,561	\$176,671,273	\$203,755,457	\$126,235,795
Non-Residential						
New Commercial	\$300,000	\$920,360	\$1,185,000	\$2,440,030	\$616,533	\$ 8,586,868
New Industrial	0	0	0	0	0	0
New Other	3,404,685	2,816,958	6,041,983	6,170,130	4,959,373	5,991,590
Alterations/Additions	<u>139,000</u>	<u>648,030</u>	<u>1,285,050</u>	<u>218,460</u>	<u>737,390</u>	1,568,000
Total Non-Residential:	\$3,843,685	\$4,385,348	\$8,512,033	\$8,828,620	\$6,313,296	\$16,146,458
Total Building Permit Valuation:	\$72,913,758	\$88,015,016	\$80,933,594	\$185,499,893	\$210,068,753	\$142,382,253
New Dwelling Units						
Single Family	223	262	226	530	607	291
Mutli-Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>96</u>	<u>0</u>	<u>262</u>
Total:	223	262	226	626	607	553

Source: Construction Industry Research Board.

COUNTY OF CONTRA COSTA Building Permit Valuation (Dollar Amounts Are Stated In Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential						
Single Family	\$1,219,608	\$1,263,361	\$1,113,574	\$1,525,515	\$ 986,695	\$830,470
Multi-Family Dwelling	60,105	190,449	123,332	106,513	157,972	86,019
Alterations/Additions	<u>213,248</u>	<u>230,430</u>	<u>233,108</u>	<u>293,394</u>	<u>307,153</u>	285,762
Total Residential:	\$1,492,961	\$1,684,240	\$1,470,014	\$1,925,422	\$1,451,820	\$1,202,251
Non-Residential						
New Commercial	\$134,263	\$128,736	\$102,547	\$87,900	\$101,790	\$ 148,840
New Industrial	9,316	33,047	17,422	21,156	14,530	17,504
New Other	87,957	53,037	68,105	122,628	122,628	89,919
Alterations/Additions	<u>143,626</u>	<u>197,299</u>	<u>187,109</u>	<u>161,188</u>	<u>173,557</u>	228,463
Total Non-Residential:	\$375,162	\$412,119	\$375,183	\$392,872	\$412,505	\$484,726
Total Building Permit Valuations:	\$1,868,123	\$2,096,359	\$1,845,197	\$2,318,294	\$1,864,325	\$1,686,977
New Dwelling Units						
Single Family	5,076	4,965	4,222	5,452	3,310	2,693
Mutli-Family	<u>729</u>	<u>1,930</u>	<u>1,261</u>	<u>860</u>	<u>1,178</u>	<u>837</u>
Total:	5,805	6,895	5,483	6,312	4,488	3,530

Source: Construction Industry Research Board.

Assessed Valuation

The following table presents assessed valuations for information purposes only:

**CITY OF OAKLEY
ASSESSED VALUATIONS
(Fiscal Years Ended June 30)**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured⁽¹⁾</u>	<u>Total</u>
2000/01	\$1,232,055,180	\$30,826,215	\$1,262,881,395
2001/02	1,346,039,650	31,699,573	1,379,739,223
2002/03	1,555,488,519	34,515,211	1,590,003,730
2003/04	1,761,867,282	33,416,952	1,795,284,234
2004/05	1,992,525,256	37,365,606	2,029,890,862
2005/06	2,318,279,595	42,142,494	2,360,422,089
2006/07	2,887,406,548	42,806,626	2,930,213,174
2007/08	3,516,634,838	46,879,096	3,563,513,934

Source: California Municipal Statistics, Inc.

(1) Includes utilities.

Utilities

Gas and electric service in the City is provided by Pacific Gas & Electric. Telephone service is provided by SBC. Water is supplied by City wells and the Diablo Valley Water District through the City water lines and filtration plant. Sewer service is supplied by Iron Horse Sanitary District. Oakley Disposal Service provides residential and commercial garbage recycling and green waste collection and recycling service to the City of Oakley.

Education

The City is part of the Oakley and Liberty Union School Districts which provide K-12 public education needs. There is one high school and one continuation high school, two middle schools and five elementary schools located in the City.

Near the City are four colleges: Los Medanos Community College in Pittsburg, Diablo Valley College in Concord and San Joaquin Delta Community College and Contra Costa College in San Pablo.

Transportation

The City, located near the cities of Antioch and Stockton, is in close proximity to a highly developed transportation network. State Highway 4 runs in an east/west direction near the City, intersecting Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports - Concord Airport, Stockton Airport and Oakland International Airport. The City is also served by bus lines and railroads. Tri-Delta Transit is a local bus service provider for Oakley residents and Eastern Contra Costa residents. Bay Area Rapid Transit ("BART") provides a bus service from Antioch connecting to the existing Concord BART station. BART stations in West Pittsburg and Pittsburg have recently opened, further extending the rapid transit system into the east County area.

APPENDIX C

**AGENCY'S AUDITED FINANCIAL
STATEMENTS FOR FISCAL YEAR 2006/07**

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**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY**

**COMPONENT UNIT FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2007**

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**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY**

**Component Unit Financial Statements
For the year ended June 30, 2007**

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MAZE & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

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Members of the Redevelopment Agency
of the City of Oakley
Oakley, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Oakley, a component unit of the City of Oakley, for the year ended June 30, 2007, which collectively comprise the Agency's component unit basic financial statements as listed in the table of contents. These component unit basic 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 as to whether the component unit basic 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 component unit basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Oakley as of June 30, 2007 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 October 15, 2007 on our consideration of the Redevelopment of the City of Oakley's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 conducted for the purpose of forming opinions on the component unit basic financial statements that collectively comprise the component unit basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the component unit basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the component unit basic financial statements taken as a whole.

Maze and Associates

October 15, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Agency's operations are funded primarily by property tax increments generated by increased assessments in the redevelopment areas.

FISCAL YEAR 2006-07 FINANCIAL HIGHLIGHTS

The Agency continues to work toward established policies and programs. Financial highlights for the year are noted below:

Agency-wide:

- The Agency's net assets at the end of the year were \$10.1 million, compared to \$8.1 million from the prior year.
- Agency-wide revenues totaled \$5.6 million, compared to last year's \$3.4 million. Tax increments represented \$4.2 million of this year's revenues, compared to last year's \$3.1 million. Use of money and property revenues, principally gains from the sale of property, increased from \$0.4 million to \$1.3 million.
- Total Agency-wide expenses were unchanged compared to last year at \$3.6 million. Expenses in both years included \$3.1 million in program costs and \$0.5 million in interest expense on long-term debt.

Fund Level

- Governmental Fund balances (consisting of Projects Funds, Low and Moderate Housing Funds, and the Bond Debt Service Fund) decreased by \$3.8 million, reducing the total governmental fund balance as of June 30, 2007 to \$4.7 million.
- Governmental Fund revenues totaled \$5.0 million, an increase of \$1.5 million over fiscal year 2005-06.
- Governmental Fund expenditures totaled \$9.5 million, an increase of \$4.0 million over fiscal year 2005-06.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Agency-wide and the Fund Financial Statements, along with the Notes to these financial statements.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Agency-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—long-term and short-term.

The Agency-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. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Agency's community development and planning program. The Statement of Activities explains in detail the change in Net Assets for the year.

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's Projects Funds, Low and Moderate Income Housing Funds and the 2003 Tax Allocation Bonds Fund. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets.

Major Funds account for the major financial activities of the Agency and are presented individually and are explained below. All of the Agency's funds are major funds.

Together, these statements are called the Basic Financial Statements.

The Agency-wide Financial Statements

All of the Agency's basic services are considered to be governmental activities that relate to the elimination of blight and economic development, including related community development and public works. These services are supported by general Agency revenues such as property tax increment, and by program revenues such as grants.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

Fund Financial Statements

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Agency-wide financial statements.

The Fund financial statements provide detailed information about each of the Agency's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually.

The Agency has five Major Funds in 2007. These are the Redevelopment Projects Funds (Capital Projects and Operations), the Low and Moderate Income Housing Funds (Capital Projects and Operations) and the 2003 Tax Allocation Bond Fund.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

Statement of Net Assets

The Agency's net assets for the year ended as of June 30, 2007 were \$10.1 million, an increase of \$2.0 million over the prior year. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Agency's governmental activities.

Table 1
Net Assets
As of June 30, 2007 and 2006
(In Millions)

Governmental Activities	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and restricted assets	\$ 18.7	\$ 17.0
Capital assets	<u>4.1</u>	<u>2.1</u>
Total Assets	<u>22.8</u>	<u>19.1</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	9.1	9.5
Other liabilities	<u>3.6</u>	<u>1.5</u>
Total Liabilities	<u>12.7</u>	<u>11.0</u>
<u>Net Assets</u>		
Restricted	7.3	2.3
Unrestricted	<u>2.8</u>	<u>5.8</u>
Total Net Assets	<u>\$ 10.1</u>	<u>\$ 8.1</u>

The Agency's Net Assets are made-up of three components: Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and Unrestricted Net Assets. All investments in capital assets are paid for with debt, so Invested in Capital Assets, net of related debt for both years presented are \$0.

Additional detail about the Agency's Net Assets at June 30, 2007 is listed below:

- Cash and investments available for the Agency's operations were \$5.6 million. All investments comply with applicable State statutes and the City of Oakley's investment policy.
- A trustee in accordance with provisions of the 2003 Tax Allocation Bond indenture holds approximately \$689,000 in cash and investments.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$9.5 million. These loans were made under various programs and substantially all are long-term receivables.
- Long-term debt decreased by approximately \$0.4 million to \$9.1 million.
- Capital Assets increased \$2.0 million to \$4.1 million reflecting construction in progress of the new restaurant, park, and plaza that are part of the Civic Center Project on Main Street.

- Restricted Net Assets increased by \$5 million and Unrestricted Net Assets decreased by \$3 million, resulting primarily from loans made to affordable housing project developers.

Table 2
Changes in Net Assets
As of June 30, 2007 and 2006
(In Millions)

Governmental Activities	<u>2007</u>	<u>2006</u>
REVENUES		
Program revenues:		
Operating Grants and Contributions	\$0.1	\$0.1
General revenues:		
Property Tax Increment	4.2	3.1
Less Educational Augmentation Revenue Payment	-	(0.2)
Use of Money and Property	<u>1.3</u>	<u>0.3</u>
Total Revenues	<u>5.6</u>	<u>3.3</u>
EXPENSES		
Redevelopment and Economic Development	2.3	1.0
Pass through to County and other agencies	0.8	0.6
Interest on long term debt	0.5	0.5
Transfers to the City of Oakley	<u>-</u>	<u>1.5</u>
Total Expenses	<u>3.6</u>	<u>3.6</u>
Change in Net Assets	2.0	(0.3)
Net Assets – Beginning	8.1	7.5
GASB 34 Adjustment	<u>-</u>	<u>0.9</u>
Net Assets – Ending	<u>\$10.1</u>	<u>\$8.1</u>

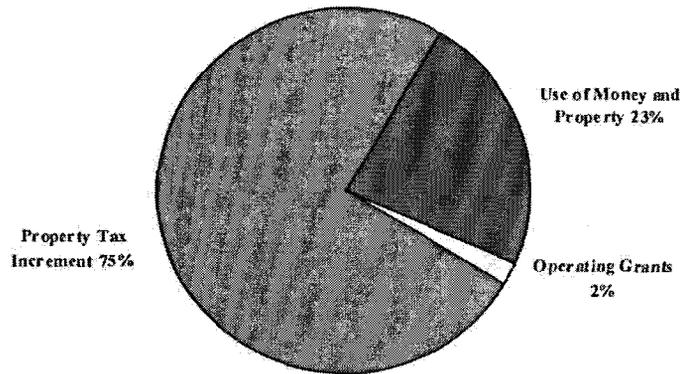
Governmental Activities

Total revenue was \$5.6 million, \$4.2 million coming from tax increment. The increase in use of money and property revenues is primarily due to the sale of property previously held for resale.

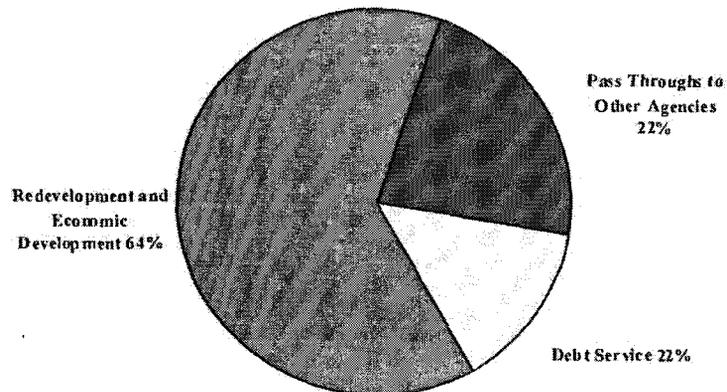
Total expenses were \$3.6 million, with \$2.3 million in Redevelopment and Economic Development activities, \$0.8 million in pass throughs and \$0.5 million in debt service.

Fiscal Year 2007 Government Activities

Sources of Revenues



Functional Expenses



Statement of Activities

The Statement of Activities presents general revenues and program expenses in detail. General revenues (those revenues other than grants) totaled \$5.6 million and were more than program expenses which totaled \$3.6 million.

The Agency's main revenue source is property tax increments. In fiscal year 2007, the Agency received \$4.2 million in tax increment revenues.

REPORTING THE AGENCY'S FUNDS

Fund Financial Statements

Analyses of Major Funds

Projects Capital Projects and Operations Funds

In total, the combined fund balances of the Projects Funds decreased by \$0.8 million.

The Capital Projects Fund accounts for monies received from tax increment funds for major capital projects in the Redevelopment Plan; and construction in progress at year-end accounted for capital asset additions of \$1.8 million.

The Agency offers various loan programs to encourage development and improvements of property within the redevelopment plan area. In the Projects Operations Fund, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue. There was little net change in loans from the project fund this year.

The Funds' total net revenues were \$3.7 million. The major portion of these revenues represented tax increment of \$3.3 million.

The Funds' expenditures were \$4.7 million, including \$4.5 million in program costs and \$0.2 million in debt service payments. In addition, the Projects Operations Fund transferred \$0.6 million to the Debt Service Fund necessary for debt service payments on the 2003 Tax Allocation Bonds.

Low and Moderate Income Housing Capital Projects and Operations Funds

These Funds account for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The Agency offers several programs under which loans are provided to low and moderate income residents and non-profit corporations developing such housing. In these Funds, new loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

The Funds' operations are financed by the legally required 20% set-aside funds to the Low and Moderate Income Housing Funds and funds borrowed from the City. In fiscal year 2006-07, the 20% set-aside amounted to \$837,705.

At June 30, 2007, the balances of loans under the above programs were \$8.5 million, an increase of \$3.8 million from the \$4.7 million reported at June 30, 2006.

Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered Fund revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing.

All these loans are secured by deeds of trust on the underlying properties. If the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

Total revenues in the Funds were \$1.3 million, including \$48,000 in loan repayments. Total expenditures were \$4.1 million, excluding \$0.1 million in transfers to the Debt Service Fund for debt service payments on the 2003 Tax Allocation Bonds.

The fund balance in the Low and Moderate Income Housing Funds decreased in 2006-07 by \$3.0 million to \$(1.9) million due primarily to the increased expenditures on affordable housing projects.

2003 Taxable Tax Allocation Bonds Debt Service Fund

Each of the Agency's debt issues is discussed in detail in Note 8 to the financial statements. During fiscal year 2003-04 the Redevelopment Agency issued \$8.5 million of Tax Allocation Bonds that bear interest at 3.97% to 6.32 % and are due in 2028. The proceeds from these Bonds will be expended on projects in the Redevelopment Area designed to improve the market value of the properties in the area. Transfers into the fund by the Projects and Low and Moderate Income Housing Funds are used to pay the debt service on the bonds.

Budgetary Highlights

In the Projects Funds, actual ending revenues of \$3.7 million exceeded estimated revenues by \$0.6 million, and actual ending expenditures of \$5.3 million, including transfers to the Debt Service Fund were \$2.6 million less than budget, primarily because the Agency budgets its entire estimated fund balance, including amounts for multi-year projects.

In the Low and Moderate Income Housing Funds, actual ending revenues of \$1.3 million were greater than the \$0.8 million budgeted, primarily due to increased property taxes and loan repayments. Actual ending expenditures, including transfers, were \$4.3 million, less than the \$5.0 million budgeted.

CAPITAL ASSETS

GASB 34 requires the Agency to record all its capital assets including any infrastructure. At the end of fiscal 2007, the Agency had \$4.0 million in Capital Assets, an increase of \$1.9 million when compared to last year.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

In preparing the budget for 2007-08, management looked at the following significant factors likely to affect the financial condition of the Agency:

- Economic development is a key element in the City's long-range Financial Planning efforts and we are beginning to see progress. While major economic efforts are not yet under construction, smaller business development remains strong, and there continues to be a growing interest in more substantial retail and industrial development that will also generate increased sales tax for the City.
- Infrastructure improvement remains a high priority initiative, especially in areas where it is seen as a necessary element to promote economic growth.
- Tax increment has become significant enough for the Agency to issue a new round of debt for upcoming projects. Original estimates indicate a sizing that will provide approximately \$18 to \$20 million for projects.

At June 30, 2007, the Agency's Projects Operations Fund had an Unrestricted Fund Balance approximately equal to approximately 73% of its annual budget; the Low and Moderate Housing Operations Fund had a Fund Balance deficit equal to approximately 146% of their annual budget.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Finance Department, at 3231 Main Street, Oakley, California 94561.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY

**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 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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Cash and investments available for operations (Note 3)	\$5,610,117
Cash with fiscal agent (Note 3)	688,603
Accounts receivable	138,067
Interest receivable	48,320
Notes receivable (Note 5)	9,473,481
Tax increment pass through (Note 8C)	1,097,405
Land held for redevelopment (Note 6)	1,661,612
Capital assets (Note 7):	
Land and construction in progress	2,946,728
Depreciable, net	<u>1,095,094</u>
Total Assets	<u>22,759,427</u>

LIABILITIES

Accounts payable	1,059,502
Accrued liabilities	7,021
Interest payable	158,942
Compensated absences (Note 1H)	11,941
Advances from the City of Oakley (Note 4)	2,339,248
Long-term debt (Note 8):	
Due in one year	420,000
Due in more than one year	<u>8,682,405</u>
Total Liabilities	<u>12,679,059</u>

NET ASSETS (Note 9)

Restricted for:	
Debt service	739,201
Low and moderate income housing	<u>6,538,465</u>
Total restricted net assets	<u>7,277,666</u>
Unrestricted	<u>2,802,702</u>
Total Net Assets	<u><u>\$10,080,368</u></u>

See accompanying notes to component unit financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Expenses:	
Community Development	\$38,265
Redevelopment and Economic Development	2,301,695
Pass-through to County and other agencies (Note 11)	808,639
Interest and fiscal charges	<u>501,921</u>
Total program expenses	<u>3,650,520</u>
Program revenues:	
Operating grants	<u>138,067</u>
Total program revenues	<u>138,067</u>
Net program expense	<u>3,512,453</u>
General revenues:	
Property tax increment	4,161,415
Gain from sale of property	714,281
Use of money and property	560,037
Miscellaneous	<u>38,464</u>
Total general revenues and transfers	<u>5,474,197</u>
Change in Net Assets	1,961,744
Net assets-beginning	<u>8,118,624</u>
Net assets-ending	<u><u>\$10,080,368</u></u>

See accompanying notes to financial statements

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**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. The funds described below were determined to be Major Funds by the Agency for fiscal 2007.

PROJECTS CAPITAL PROJECTS FUND

This fund accounts for monies received from tax increment funds and the proceeds from the 2003 Taxable Tax Allocation Bonds for major capital projects in the Oakley Redevelopment Project Area.

PROJECTS OPERATIONS CAPITAL PROJECTS FUND

This fund accounts for monies received from tax increment funds for the operations of the Agency in conjunction with capital projects in the Oakley Redevelopment Project Area.

LOW AND MODERATE INCOME HOUSING PROJECTS CAPITAL PROJECTS FUND

This fund accounts for capital projects funded by the twenty percent housing set aside from the tax increment revenue from the Oakley Redevelopment Project Area and low and moderate income housing projects funded by the 2003 Taxable Tax Allocation Bonds.

LOW AND MODERATE INCOME HOUSING OPERATIONS CAPITAL PROJECTS FUND

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Oakley Redevelopment Project Area.

2003 TAXABLE TAX ALLOCATION BONDS DEBT SERVICE FUND

This fund accounts for principal and interest payments on the 2003 Taxable Tax Allocation Bonds.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	PROJECTS		LOW AND MODERATE INCOME HOUSING		2003 Taxable Tax Allocation Bonds	Total Governmental Funds
	Capital Projects	Operations	Capital Projects	Operations		
ASSETS						
Cash and investments available for operations (Note 3)	\$3,739,542	\$1,407,966	\$8,146	\$404,276	\$50,187	\$5,610,117
Cash with fiscal agent (Note 3)					688,603	688,603
Accounts receivable	138,067					138,067
Interest receivable	31,327	9,905	32	6,645	411	48,320
Notes receivable (Note 5)		995,641		8,477,840		9,473,481
Land held for redevelopment (Note 6)	716,667	944,945				1,661,612
Total Assets	\$4,625,603	\$3,358,457	\$8,178	\$8,888,761	\$739,201	\$17,620,200
LIABILITIES						
Accounts payable	\$976,220	\$76,854		\$6,428		\$1,059,502
Accrued liabilities		2,401		4,620		7,021
Deferred revenue		995,641		8,477,840		9,473,481
Advances from the City (Note 4)				2,339,248		2,339,248
Total Liabilities	976,220	1,074,896		10,828,136		12,879,252
FUND BALANCES						
Fund balance (Note 9)						
Reserved for encumbrances	1,176,335	19,202		8,939		1,204,476
Reserved for land held for redevelopment	716,667	944,945				1,661,612
Reserved for debt service					\$739,201	739,201
Reserved for low and moderate income housing			\$8,178			8,178
Unreserved, designated for projects	1,756,381	37,828				1,794,209
Unreserved, undesignated						
Reported in:						
Capital projects funds		1,281,586		(1,948,314)		(666,728)
TOTAL FUND BALANCES	3,649,383	2,283,561	8,178	(1,939,375)	739,201	4,740,948
Total Liabilities and Fund Balances	\$4,625,603	\$3,358,457	\$8,178	\$8,888,761	\$739,201	

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. 4,041,822

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. 9,473,481

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:

Tax increment pass through	1,097,405
Compensated absences	(11,941)
Long-term debt	(9,102,405)
Interest payable	(158,942)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$10,080,368

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PROJECTS		LOW AND MODERATE INCOME HOUSING		2003 Taxable Tax Allocation Bonds	Total Governmental Funds
	Capital Projects	Operations	Capital Projects	Operations		
REVENUES						
Property taxes		\$3,323,710		\$837,705		\$4,161,415
Other Intergovernmental	\$138,067			180,000		318,067
Loan repayment				48,250		48,250
Use of money and property	169,650	61,112	\$38,258	169,416	\$38,919	477,355
Miscellaneous	37,634	830				38,464
Total Revenues	345,351	3,385,652	38,258	1,235,371	38,919	5,043,551
EXPENDITURES						
Current:						
Community Development					2,000	2,000
Redevelopment and Economic Development	49,586	1,918,846		4,125,710		6,094,142
Pass through to County and other agencies		808,639				808,639
Capital outlay	1,767,327					1,767,327
Debt service:						
Principal		175,000			190,000	365,000
Interest and fiscal charges				22,295	482,140	504,435
Total Expenditures	1,816,913	2,902,485		4,148,005	674,140	9,541,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,471,562)	483,167	38,258	(2,912,634)	(635,221)	(4,497,992)
OTHER FINANCING SOURCES (USES)						
Gain from sale of property		714,281				714,281
Transfers in (Note 4)	1,460,682			1,319,622	676,595	3,456,899
Transfers (out) (Note 4)		(2,003,159)	(1,319,622)	(134,118)		(3,456,899)
Total Other Financing Sources (Uses)	1,460,682	(1,288,878)	(1,319,622)	1,185,504	676,595	714,281
NET CHANGE IN FUND BALANCES	(10,880)	(805,711)	(1,281,364)	(1,727,130)	41,374	(3,783,711)
Fund balances (deficit) at beginning of year	3,660,263	3,089,272	1,289,542	(212,245)	697,827	8,524,659
Fund balances (deficit) at end of year	\$3,649,383	\$2,283,561	\$8,178	(\$1,939,375)	\$739,201	\$4,740,948

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

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 (\$3,783,711)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as 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	1,767,327
Depreciation expense is deducted from fund balance	(36,265)
Land held for redevelopment transferred to capital assets is added to fund balance	192,402
Retirements are deducted from fund balance	(4,526)

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.

Repayment of debt principal is added back to fund balance	365,000
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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):

Tax increment pass through	(175,000)
Compensated absences	(4,182)
Interest payable	2,514
Deferred revenue	3,638,185
	<u>3,638,185</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$1,961,744</u>
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See accompanying notes to financial statements

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Purpose*

The Redevelopment Agency of the City of Oakley was established under the provisions of the Redevelopment Law (California Health and Safety Code), to clear and rehabilitate areas determined to be in a declining economic condition in the Project Areas. The Oakley Redevelopment Area, a Project Area of the County of Contra Costa Redevelopment Agency, was transferred from the County to the City on November 21, 2000. At that date, the City formed the Oakley Redevelopment Agency, which assumed the assets and liabilities of the Project Area and received a net contribution of \$8,159,039 from the County. The Agency's policies are determined by the City Council in their separate capacity as board members of the Agency.

On October 8, 2001 the Redevelopment Plan was restated and amended to incorporate additional territory and amend the Plan in its entirety.

The Agency is authorized to finance the Plan from various sources, including assistance from the City, the state and federal governments, property tax increments, interest income and the issuance of Agency notes and bonds.

B. *Reporting Entity*

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

C. *Basis of Presentation*

The financial statements and accounting policies of the Agency conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

The Agency reported the following major governmental funds in the accompanying financial statements:

Projects Capital Projects Fund - This fund accounts for monies received from tax increment funds and the proceeds from the 2003 Taxable Tax Allocation Bonds for major capital projects in the Oakley Redevelopment Project Area.

Projects Operations Capital Projects Fund - This fund accounts for monies received from tax increment funds for the operations of the Agency in conjunction with capital projects in the Oakley Redevelopment Project Area.

Low and Moderate Income Housing Projects Capital Projects Fund - This fund accounts for capital projects funded by the twenty percent housing set aside from the tax increment revenue from the Oakley Redevelopment Project Area and low and moderate income housing projects funded by the 2003 Taxable Tax Allocation Bonds.

Low and Moderate Income Housing Operations Capital Projects Fund - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Oakley Redevelopment Project Area.

2003 Taxable Tax Allocation Bonds Debt Service Fund - This fund accounts for principal and interest payments on the 2003 Taxable Tax Allocation Bonds.

E. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place, on these new government-wide financial statements.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Governmental fund expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

F. Revenue

The Agency's primary source of revenue is incremental property taxes. Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within the Project Areas was frozen on the date of adoption of the Redevelopment Plan.
- b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other taxing authorities receiving taxes from the Project Areas.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City.

G. Property Taxes

Revenue is recognized in the fiscal year for which the tax is levied. The County of Contra Costa levies, bills and collects property taxes for the Agency; under the County's "Teeter Plan" the County remits the entire amount levied for secured taxes and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed, provided they become available as defined above.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

The changes in the compensated absences were as follows:

	Governmental Activities
Beginning Balance	\$7,759
Additions	13,718
Payments	(9,536)
Ending Balance	\$11,941

The long-term portion of governmental activities compensated absences is liquidated primarily by the Projects Fund.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Procedures

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

1. The Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by Board resolution.
4. All appropriations transfers between funds and between departments must be approved by the Board by resolution during the fiscal year. The Executive Director is authorized to transfer unencumbered appropriations within a fund. In addition, amendments that are made to authorize spending of increased or new special purpose revenues may be appropriated by the Executive Director. The legally adopted budget requires that expenditures not exceed total appropriations at the fund level.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts appearing in the budgetary comparison statements are as originally adopted or as amended by the Board and/or Executive Director.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended operating appropriations lapse at year end and must be reappropriated in the following year. Unexpended capital projects appropriations are automatically reappropriated in the following year.

C. *Expenditures in Excess of Budget*

The Projects-Operations Capital Projects Fund had expenditures in excess of budget of \$536,935. Sufficient resources were available to finance these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The Agency's dependence on property tax receipts, 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 agent so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

A. *Policies*

The Agency and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. For debt proceeds, individual investments are made by the Agency's fiscal agents if required under its debt issues; other monies on hand are normally invested in the City's investment pool and the California Local Agency Investment Fund pool administered by the State.

The Agency's investments are carried at fair market value. The Agency adjusts the carrying value of its investments to reflect their fair market value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Interest income on investments is allocated on the basis of quarter-end cash and investment balances in each fund.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the California Government Code and the Agency's Investment Policy

The Agency's Investment Policy and the California Government Code allow the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Agency's Investment Policy:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 years		No Limit	No Limit
U.S. Government Agency Securities: Federal Home Loan Bank Federal National Mortgage Association Federal Farm Credit Bank Federal Home Loan Mortgage Corporation Student Loan Marketing Association Government National Mortgage Association	5 years		No Limit	No Limit
State of California Warrants, Treasury Notes or Bonds	5 years		No Limit	No Limit
California Local Agency Investment Fund	N/A		N/A	\$40 million per account
Certificates of Deposit	5 years	A1/P1	30%	No Limit
Bankers Acceptances	180 days	A1/P1	40%	30%
Medium Term Notes	5 years	A	30%	No Limit
Money Market Funds	N/A	Top rating category	20%	No Limit
Investment Trust of California (CalTRUST)	N/A		N/A	No Limit
Repurchase Agreement	1 year	No Limit	No Limit	No Limit

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Government Securities	N/A	Aaa/AAA
U.S. Government Agency Securities	N/A	N/A
Investments insured by FDIC	N/A	N/A
Commercial Paper	270 days	A-1+/P-1
Money Market Funds	N/A	AAAm/AAAmG
Pre-refunded Municipal Obligations	N/A	Highest rating
Municipal Obligations	N/A	Aaa/AAA
General Obligations of States	N/A	A2/A
Investment Agreements	N/A	N/A
Repurchase Agreements	N/A	N/A
Banker's Acceptances	N/A	N/A
Short term Certificates of Deposit	360 days	A-1/A-1+/P-1

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations are provided by the following:

	Cash and Investments Available for Operations	Investments with Fiscal Agents	Total
Wells Fargo Money Market Fund		\$688,603	\$688,603
Local Agency Investment Pool	\$761,712		761,712
City of Oakley Investment Pool	4,848,405		4,848,405
	<u>\$5,610,117</u>	<u>\$688,603</u>	<u>\$6,298,720</u>

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2007 these investments matured in an average of 176 days.

Money markets are available for withdrawal on demand.

E. 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. The Agency's money market fund investments and the Local Agency Investment Fund were not rated at June 30, 2007.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Agency Funds

Fund Receiving Transfer	Fund Making Transfers	Amount
Capital Projects Funds:	Capital Projects Funds:	
Projects - Capital Projects	Projects - Operations	\$1,460,682 (A)
Low & Moderate Income Housing - Operations	Low & Moderate Income Housing - Capital Projects	1,319,622 (A)
 2003 Taxable Tax Allocation Bonds Debt	Capital Projects Funds:	
Service Fund	Projects - Operations	542,477 (B)
	Low & Moderate Income Housing - Operations	134,118 (B)
	Total Interfund Transfers	\$3,456,899

(A) To fund capital projects

(B) To fund debt service

B. Advances from the City

The Traffic Impact Fees Capital Projects Fund, Park Impact Fees Capital Projects Fund, and Public Facilities Impact Fees Capital Projects Fund made advances to the Redevelopment Agency Low & Moderate Income Housing Capital Projects Fund to assist with the Courtyards and Cypress Grove affordable housing project. The advances are to be repaid from the first repayments by the developer and bear interest at 3%. The balance of this advance at June 30, 2007 was \$1,137,576.

During fiscal 2007, three funds loaned a total of \$2,358,753 to the Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund to assist with the Agency's loan to a Developer for the Carol Lane housing project. The funds making the loans are as follows: the Traffic Impact Fund in the amount of \$1,431,248, Park Development Impact Fund in the amount of \$594,497, and the Public Facilities Impact Fee Fund in the amount of \$333,008. The loans bear simple interest of 3% per year and are to be repaid from available low and moderate income housing tax increment. The balance of this advance at June 30, 2007 was \$1,201,672, and is expected to be repaid within five years.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 5 – NOTES RECEIVABLE

The Redevelopment Agency engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the Agency's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue as they are not expected to be repaid during the next fiscal year.

A. *Loans Receivable under Redevelopment Agency Programs*

The Agency engages in programs designed to encourage construction of or improvement in low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to expend these funds in accordance with the Agency's terms. The balances of the notes receivable, including accrued interest, arising from these programs at June 30 are set forth below:

Golden Oak Manor	\$920,400
Silver Oak Apartments	514,161
Oakley Senior Housing	1,422,739
Oakley Cypress Associates	2,618,752
Carol Lane	3,899,032
First Time Homebuyer	<u>98,397</u>
Total	<u><u>\$9,473,481</u></u>

B. *Golden Oak Manor*

Under the terms of a Loan Agreement dated December 19, 1994 between the Redevelopment Agency and the Developer, Golden Oak Manor, L.P., the Agency loaned the amount of \$780,000 to construct 50 senior residential rental units, with 24 of the units being restricted to very low income households. The loan is secured by a deed of trust on the property, is due in 2054 and bears simple annual interest of 3 percent. Interest and principal are deferred for 60 years or upon transfer of the property to an unqualified entity. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

C. *Silver Oak Apartments*

Under the terms of a Loan Agreement dated May 1, 1998 between the Redevelopment Agency and the Developer, Ecumenical Association for Housing, the Agency loaned \$374,220 along with an additional \$99,206 in January 1999, for a total loan amount of \$473,426, to fund the construction of 24 affordable housing units. The loan is secured by a deed of trust on the property, is due in 2058 and bears simple annual interest of 3 percent with principal and interest due annually to the extent there is "residual receipts" as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY**
Component Unit Financial Statements

NOTE 5 – NOTES RECEIVABLE (Continued)

D. *Oakley Senior Housing*

Under the terms of a Loan Agreement dated February 8, 2000 between the Redevelopment Agency and the Developer, Oakley Senior Associates, L.P., the Agency loaned the amount of \$1,800,000 to fund the acquisition and development costs to construct eighty units of affordable housing for low and moderate income seniors. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2058, and bears simple annual interest of 3 percent, with principal and interest due annually to the extent there is “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures. The Agency received a payment of \$547,000 from the developer during fiscal year 2002.

E. *Habitat for Humanity*

The Agency entered into a Disposition and Development Agreement (Montague) to provide financial assistance to Habitat for Humanity. Under the terms of the Agreement, the Agency made a loan to Habitat for Humanity in the amount of \$75,000 to fund the land acquisition costs for the development of three additional single-family homes to be sold to low income persons and households. The Agency also provided a \$75,000 grant to fund a portion of predevelopment costs. The loan is secured by a deed of trust on the property and is forgivable upon written request from Habitat after the issuance of each Certificate of Completion. The loan was forgiven as of June 30, 2007.

F. *Oakley Cypress Associates*

Under the terms of the Loan Agreement dated December 1, 2005, the Agency loaned \$2.5 million to Oakley Cypress Associates to assist in the development of 96 affordable housing units. The loan is secured by a deed of trust on the property and bears simple interest of 3 percent annually. Principal and interest payments are due annually to the extent that Oakley Cypress Associates has “residual receipts” as defined in the agreement. The remaining balance of unpaid principal and accrued interest is due fifty-five years after the issuance of the certificate of completion, but no later than December 1, 2063.

G. *Carol Lane*

Under the terms of a Loan Agreement dated February 23, 2007 between the Agency and the Developer, 59 Carol Lane, L.P., the Agency loaned the amount of \$3,858,753 to fund the acquisition and development costs to construct two hundred and eight units of senior and family affordable housing for low and very-low income households. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2062, and bears interest of 3 percent, compounded annually, with principal and interest due annually to the extent there are “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 5 – NOTES RECEIVABLE (Continued)

H. First-Time Homebuyer Program

The Redevelopment Agency administers a First-Time Homebuyers Program funded by Bond proceeds in the amount of \$512,392 in 1994, under which low and moderate income individuals may qualify for first-time home buyer deferred second mortgages to purchase homes in the Oakley area. The individual loans are 30-year fixed rate deferred loans, bearing interest at a rate equal to two percent below the Lender's rate and do not exceed \$50,000. These loans are due thirty years from the date of issuance, but will be forgiven at maturity if the unit was owner occupied for the full thirty years. Under the terms of the Program, loans must be repaid in full if the property is sold to a nonqualified buyer. These loans were issued while the Agency was administered by the County.

NOTE 6 – LAND HELD FOR REDEVELOPMENT

At June 30, 2007 the Agency held four properties for resale or redevelopment. These properties are accounted for as investments on the balance sheet at the lower of cost or net realizable value.

During fiscal year 2007 the Agency had the following activity related to land held for redevelopment:

- One parcel was purchased.
- Two parcels were sold or transferred to developers for development within the project area.
- One parcel will be leased to a developer and therefore was transferred to Capital Assets.
- One parcel was sold to the City for development of the Civic Center Park.
- One parcel will be sold to the City in fiscal year 2008 for \$1, therefore the carrying value of the parcel has been reduced to \$1 to reflect the net realizable value at June 30, 2007.

NOTE 7 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The Agency's policy is to capitalize all assets with cost exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 7 - CAPITAL ASSETS (Continued)

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for capital assets is \$5,000. The Agency has assigned the useful lives listed below to capital assets.

	Useful lives
Buildings	20 years
Improvements	5-15 years
Roadways	30 years
Traffic Signals	25 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital asset balances comprise the following:

	Balance as of June 30, 2006	Additions	Retirements and Transfers	Balance as of June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$131,683	\$192,402		\$324,085
Construction in Progress	1,131,999	1,767,327	(\$276,683)	2,622,643
Total capital assets not being depreciated	1,263,682	1,959,729	(276,683)	2,946,728
Capital assets being depreciated:				
Buildings and improvements	30,498			30,498
Roadways:				
Pavement	845,852		95,398	941,250
Traffic Signals			176,759	176,759
Total capital assets being depreciated:	876,350		272,157	1,148,507
Less accumulated depreciation for:				
Buildings and improvements	(3,050)	(3,050)		(6,100)
Roadways:				
Pavement	(14,098)	(29,785)		(43,883)
Traffic Signals		(3,430)		(3,430)
Total accumulated depreciation:	(17,148)	(36,265)		(53,413)
Net capital assets being depreciated	859,202	(36,265)	272,157	1,095,094
Capital assets, net:	\$2,122,884	\$1,923,464	(\$4,526)	\$4,041,822

Depreciation is allocated to the Redevelopment and Economic Development Activity on the Statement of Activities.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 8 - LONG-TERM DEBT

A. Current Year Transactions and Balances

The Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2006	Retirements	Balance June 30, 2007	Current Portion
2003 Tax Allocation Bonds					
3.97-6.32%, due 9/01/2028	\$8,500,000	\$8,195,000	\$190,000	\$8,005,000	\$195,000
Tax Increment Pass Through	1,599,405	1,272,405	175,000	1,097,405	225,000
Total		<u>\$9,467,405</u>	<u>\$365,000</u>	<u>\$9,102,405</u>	<u>\$420,000</u>

B. Redevelopment Agency 2003 Tax Allocation Bonds

On December 4, 2003, the Agency issued Tax Allocation Bonds to refund and defease the outstanding 1999 Tax Allocation Revenue Bonds, and to provide financing for various redevelopment projects. The Bonds are secured by the Agency's tax increment revenue. Principal is payable annually and the interest is payable semi-annually through 2029. A portion of proceeds from the 2003 Bonds was placed in an irrevocable trust to provide all the future debt service payments of the defeased 1999 Bonds, of which \$6,530,000 remained outstanding at June 30, 2007.

C. Tax Increment Pass Throughs

The Redevelopment Agency amended its project area in October 2001. As a result of that amendment, Section 8.05 of the Jurisdictional Transfer Agreement with the County became effective, replacing section 8.02. The affect of this modification of the agreement was to finalize and specify the exact amount to be paid by the Agency for Tax Increment Pass Throughs. The Agency has recorded this amount as Long Term Debt with an offset to Tax Increment Pass Throughs. This amount will be amortized as payments are made on the debt. Annual payments are due each January through 2011.

D. Debt Service Requirements

Annual debt service requirements for this debt are shown below:

	For the Year Ending June 30	Principal	Interest
2008		\$420,000	\$472,953
2009		480,000	465,013
2010		510,000	455,284
2011		522,405	443,561
2012		235,000	431,164
2013-2017		1,385,000	1,939,220
2018-2022		1,840,000	1,465,706
2023-2027		2,485,000	797,773
2028-2029		1,225,000	78,526
		<u>\$9,102,405</u>	<u>\$6,549,200</u>

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY**
Component Unit Financial Statements

NOTE 9 - NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while of Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets are divided into three captions. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. Fund Balances

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated for low and moderate income housing projects as required by the California Health and Safety Code or debt service expenditures as required under bond indenture.

C. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves. At June 30, 2007, reserves included:

Reserved for encumbrances represents the portion of fund balance set aside for open purchase orders.

Reserved for land held for redevelopment is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

Reserved for debt service is the portion of fund balance legally restricted to the payment of principal and interest on long term liabilities.

Reserved for Low and Moderate Income Housing is legally restricted to expenditure for low and moderate income housing under the California Health and Safety Code.

D. Designation

Designations are imposed by the Board to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

Designated for projects is the portion of fund balance to be used for projects approved by the Board as part of the annual budget.

E. Fund Balance Deficit

The Low and Moderate Income Housing – Operations Fund had a fund balance deficit of \$1,939,375 at June 30, 2007. The deficit is expected to be eliminated from future tax increment revenues and proceeds from the repayment of loans.

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLEY
Component Unit Financial Statements**

NOTE 10 - RISK MANAGEMENT

A. Municipal Pooling Authority of Northern California (MPA)

The City is a member of the Municipal Pooling Authority of Northern California (formerly called Contra Costa County Municipal Risk Management Insurance Authority). The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$20,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	200,000,000
All Risk Fire, Property, Earthquake & Flood (\$5,000)	350,000,000
Boiler & Machinery (\$5,000)	100,000,000

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The Authority's all risk fire, property, earthquake and flood coverage was reduced from \$1 billion for the fiscal year ended June 30, 2006 to \$350 million for the year ended June 30, 2007.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

The Agency has a number of property tax pass-through agreements executed from 1980 to 1990 with various entities, the taxing agencies in existence when the Plan Area was formed. Under these agreements, the Agency passes through to these taxing agencies a portion of the property tax increments it would otherwise have received. During fiscal 2007 increments totaling \$808,639 were passed through directly to these taxing agencies through the County.

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PROJECTS			PROJECTS		
	Capital Projects		Variance Positive (Negative)	Operations		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes				\$2,701,211	\$3,323,710	\$622,499
Other Intergovernmental	\$138,067	\$138,067		99,000		(99,000)
Loan repayment						
Use of money and property	128,500	169,650	\$41,150	43,500	61,112	17,612
Miscellaneous		37,634	37,634	280	830	550
Total Revenues	266,567	345,351	78,784	2,843,991	3,385,652	541,661
EXPENDITURES						
Current:						
Community Development						
Redevelopment and Economic Development	49,586	49,586		1,344,083	1,918,846	(574,763)
Pass through to County				808,639	808,639	
Capital outlay	4,920,256	1,767,327	3,152,929	37,828		37,828
Debt service:						
Principal				175,000	175,000	
Interest and fiscal charges						
Total Expenditures	4,969,842	1,816,913	3,152,929	2,365,550	2,902,485	(536,935)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,703,275)	(1,471,562)	3,231,713	478,441	483,167	4,726
OTHER FINANCING SOURCES (USES)						
Gain from sale of property					714,281	714,281
Transfers in	1,559,362	1,460,682	(98,680)			
Transfers (out)				(2,101,839)	(2,003,159)	98,680
Total Other Financing Sources (Uses)	1,559,362	1,460,682	(98,680)	(2,101,839)	(1,288,878)	812,961
NET CHANGE IN FUND BALANCES	(\$3,143,913)	(10,880)	\$3,133,033	(\$1,623,398)	(805,711)	\$817,687
Fund balance (deficit) at beginning of year		3,660,263			3,089,272	
Fund balance (deficit) at end of year		\$3,649,383			\$2,283,561	

LOW AND MODERATE INCOME HOUSING			LOW AND MODERATE INCOME HOUSING			2003 TAXABLE TAX ALLOCATION BONDS		
Capital Projects			Operations			DEBT SERVICE FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$644,506	\$837,705	\$193,199			
				180,000	180,000			
\$35,000	\$38,258	\$3,258	48,250	48,250		\$15,000	\$38,919	\$23,919
			92,321	169,416	77,095			
35,000	38,258	3,258	785,077	1,235,371	450,294	15,000	38,919	23,919
			4,513,599	4,125,710	387,889		2,000	(2,000)
			300,000		300,000			
						190,000	190,000	
			22,295	22,295		487,095	482,140	4,955
			4,835,894	4,148,005	687,889	677,095	674,140	2,955
35,000	38,258	3,258	(4,050,817)	(2,912,634)	1,138,183	(662,095)	(635,221)	26,874
			295,853		(295,853)			
(1,324,541)	(1,319,622)	4,919	1,324,541	1,319,622	(4,919)	676,595	676,595	
			(134,118)	(134,118)				
(1,324,541)	(1,319,622)	4,919	1,486,276	1,185,504	(300,772)	676,595	676,595	
(\$1,289,541)	(1,281,364)	\$8,177	(\$2,564,541)	(1,727,130)	\$837,411	\$14,500	41,374	\$26,874
	1,289,542			(212,245)			697,827	
	\$8,178			(\$1,939,375)			\$739,201	

(Continued)

REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	TOTALS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$3,345,717	\$4,161,415	\$815,698
Other Intergovernmental	237,067	318,067	81,000
Loan repayment	48,250	48,250	
Use of money and property	314,321	477,355	163,034
Miscellaneous	280	38,464	38,184
Total Revenues	3,945,635	5,043,551	1,097,916
EXPENDITURES			
Current:			
Community Development		2,000	(2,000)
Redevelopment and Economic Development	5,907,268	6,094,142	(186,874)
Pass through to County	808,639	808,639	
Capital outlay	5,258,084	1,767,327	3,490,757
Debt service:			
Principal	365,000	365,000	
Interest and fiscal charges	509,390	504,435	4,955
Total Expenditures	12,848,381	9,541,543	3,306,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,902,746)	(4,497,992)	4,404,754
OTHER FINANCING SOURCES (USES)			
Gain from sale of property	295,853	714,281	418,428
Transfers in	3,560,498	3,456,899	(103,599)
Transfers (out)	(3,560,498)	(3,456,899)	103,599
Total Other Financing Sources (Uses)	295,853	714,281	418,428
NET CHANGE IN FUND BALANCES	(\$8,606,893)	(3,783,711)	\$4,823,182
Fund balance (deficit) at beginning of year		8,524,659	
Fund balance (deficit) at end of year		\$4,740,948	

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

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of the City of Oakley
Oakley, California

We have audited the financial statements of the Redevelopment Agency of the City of Oakley as of and for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. As part of our audits, we prepared and issued our separate Memorandum on Internal Control dated October 15, 2007.

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 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.

Mare and Associates

October 15, 2007

SCHEDULE OF PRIOR YEAR FINDINGS

Finding 06-01:

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 Summer Creek project funded through the Agency's loan to Oakley Senior Associates, one of the five projects funded by the Low and Moderate Income Housing Fund, to test for this compliance requirement. We noted that the Agency did not have the required annual report from the property owner on file. However, we were provided with a report directly from the property management company that included the required elements for this compliance requirement. The Agency should require property owners or managers to submit the required reports annually and review the reports for compliance.

Current Status:

The City has implemented a reporting procedure to better insure the accurate and complete reporting regarding the affordable program. The materials used include a standard letter to remind properties when the reports are due and what is required of the report; a spreadsheet of when the reporting year is and what is currently on file – both financial and tenant characteristics; and a template of tenant characteristics – provided to property managers when requested to familiarize them with a “typical” report.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Addressees]

Re: \$ _____ Oakley Redevelopment Agency Subordinate Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Oakley Redevelopment Agency (the "Agency") in connection with the sale, execution and delivery by the Agency of \$ _____ aggregate principal amount of Subordinate Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area) (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the "Act"). The Bonds are being issued pursuant to a Trust Indenture, dated as of May 1, 2008 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Trustee"). The proceeds of the Bonds are being used to finance certain redevelopment activities in the Oakley Redevelopment Project Area (the "Project Area"). All capitalized terms used herein and not otherwise defined shall have the same meanings assigned to them in the Indenture.

The Agency is obligated under the Indenture to pay principal of and interest on the Bonds solely from Tax Revenues (as defined in the Indenture).

As Bond Counsel we have examined copies certified to us as being true and complete copies of the proceedings of the Agency and in connection with the authorization and sale of the Bonds. Our services as Bond Counsel were limited to an examination of the transcript of such proceedings and to rendering the opinions set forth herein. In this connection, we have also examined such other documents, opinions and instruments as we have deemed necessary in order to render the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures on original documents (other than signatures of the Agency) and the conformity to the original documents of all copies submitted to us. We have also assumed the due execution and delivery of all documents (other than with respect to the Agency) which we have examined where due execution and delivery are a prerequisite to the effectiveness thereof. As to the various questions of fact material to our opinion, we have relied upon statements or certificates of officers and representatives of the Agency, public officials and others.

On the basis of the foregoing examination and assumptions and in reliance thereon and on all such other matters of fact as we deemed relevant under the circumstances, and upon consideration of the applicable law, we are of the opinion that:

1. The Indenture has been duly adopted by the Agency and constitutes the valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms. The Indenture creates a valid lien on and pledge of the Tax Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

3. The obligation of the Agency to make payments on the Bonds does not constitute a debt of the Agency, or of the State of California or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Agency is obligated to levy or pledge any form of taxation or for which the Agency has levied or pledged any form of taxation.

4. Interest received by the owners of the Bonds is excludable under existing statutes, regulations, rulings and court decisions, from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest received by the owners of the Bonds is exempt from personal income taxes of the State of California under present law. In addition, neither the Bonds nor the Indenture are a "private activity bond" as defined in Section 141(a) of the Code and, therefore, the interest received by the owners of the Bonds is not an item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following sentence. Interest on the Bonds received by a corporation will be included in corporate book income and in "adjusted current earnings" for purposes of computing its alternative minimum tax liability.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the Agency in the Indenture and in the Tax Certificate of the Agency, dated as of the date hereof, concerning the use of the facilities financed with Bond proceeds, the investment and use of Bond proceeds and the rebate, if any, to the Federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Agency will comply with such covenants. We express no opinion with respect to the exclusions of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the Agency fails to comply with such covenants. Except as stated above, we express no opinion as to any Federal tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any payment of interest on the Bonds if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds or the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws 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 governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility herein 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.

Respectfully submitted,

NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

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APPENDIX E
FISCAL CONSULTANT'S REPORT

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLEY

OAKLEY REDEVELOPMENT PROJECT AREA

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

April 24, 2008

I. Introduction

The Redevelopment Agency of the City of Oakley (the Agency) is proposing to issue its Tax Allocation Bonds, Series 2007A (Oakley Redevelopment Project Area) and Taxable Tax Allocation Bonds, Series 2007B (Oakley Redevelopment Project Area) (the Bonds) to finance certain improvements located within or benefiting the Oakley Redevelopment Project Area. In addition, proceeds of the Bonds will be used to pay costs of issuing the Bonds and to fund a reserve account. The 1,537 acre Oakley Redevelopment Project (herein referred to as the Project Area) consists of the 916 acre original portion of the Oakley Redevelopment Project (herein referred to as the Original Area) and a 621 acre Amendment Area that was added to the Original Area through adoption of the Restated and Amended Redevelopment Plan for the Oakley Redevelopment Project Area.

The California Community Redevelopment Law (the Law) provides for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorizes redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that are in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are generally referred to as Tax Increment Revenues. The Law provides that the Tax Increment Revenues may be pledged by a redevelopment agency to the repayment of agency indebtedness. In this report, Tax Increment Revenues, including Unitary Tax Revenue (see Section IV.H., Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. Gross Revenues less Section 33676 Base Year Adjustments (See Section VII, Tax Sharing and Other Obligations) are referred to as Adjusted Gross Revenues. Adjusted Gross Revenues less the Housing Set-Aside Requirement (see Section V, Low and Moderate Income Housing Set-Aside); the County Property Tax Collection Reimbursement (see Section IV G, County Property Tax Collection Reimbursement); required tax sharing payments; any applicable owner participation agreement payments; and, other obligations with a lien on revenue superior to debt service on the Bonds, are referred to as Tax Revenues. Tax Revenues net of tax sharing payments that have a lien on Tax Revenues that is subordinate to payment of debt service on the Bond are referred to in this report as Net Tax Revenues.

The purpose of this fiscal consultant report (the Report) is to examine the current fiscal year and project for nine fiscal years the amount of tax increment revenues anticipated to be received by the Agency from the Project Area. Provisions of the Redevelopment Law and the Redevelopment Plan determine the amount of Project Area tax increment that the Agency may utilize for purposes of

making debt service payments, payments pursuant to tax sharing agreements between the Agency and other taxing entities and payments on other obligations with a superior lien on Tax Revenues (see Section VII, Tax Sharing Agreements and Other Obligations, below). As a result of our research, we project that the Tax Revenues for the Project Area will be as shown in Table A below (000's omitted):

Table A
Project Area Tax Revenues

Fiscal Year	Original Area	Amendment Area	Project Area
2007-08	\$2,733	\$115	\$2,848
2008-09	2,780	118	2,898
2009-10	2,823	121	2,944
2010-11	2,889	124	3,013
2011-12	3,257	127	3,384
2012-13	3,329	130	3,459
2013-14	3,402	133	3,535
2014-15	3,476	137	3,613
2015-16	3,552	140	3,692
2016-17	3,626	144	3,770

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Contra Costa County Auditor-Controller. The projection illustrates the entire amount of Tax Revenues projected as being available from the Project Area. It is assumed that the Agency will continue to have sufficient debt to capture all of the available Tax Revenue. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy and are not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The Project Area was originally adopted by Contra Costa County on December 21, 1989 as a county redevelopment project. The City of Oakley incorporated on July 1, 1999. The Oakley Redevelopment Agency was formed and the County's Oakley Redevelopment Project was transferred into the control of the Agency on March 27, 2000. A Restated and Amended Redevelopment Plan for the Project Area was adopted by Ordinance 17-01 on October 22, 2001. This Restated and Amended Plan added territory and restated certain time and tax increment limitations as outlined in Section II B below.

A. Land Use

Table B represents the breakdown of land use in the Project Area by the number of parcels and by their taxable value for fiscal year 2007-08. This information is based on County land use designations as provided by Contra Costa County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories.

Table B
Project Area Land Use Summary

Category	No. Parcels	Net Taxable Value	% of Total
Residential	1,469	\$335,663,515	66.76%
Commercial	93	89,906,846	17.88%
Industrial	16	28,287,781	5.63%
Dry & Irrigated Farm	18	14,185,131	2.82%
Institutional	12	966,003	0.19%
Governmental	1	255	0.00%
Vacant Land	64	7,473,885	1.49%
Exempt	41	0	0.00%
Miscellaneous	15	294,132	0.06%
Subtotal	1,729	\$476,777,548	94.82%
SBE Non-Unitary Unsecured	[874]	26,036,140	5.18%
Subtotal		\$26,036,140	5.18%
Total:	1,729	\$502,803,688	100.00%

The following Table C breaks down the privately owned, vacant parcels for the Project Area. Vacant parcels listed in Table C below do not include parcels owned by governmental entities or utilities. The table also compares the amount of privately held vacant property in the Original Area and the Amendment Area to the total acreage of that project area.

Table C
Privately Owned Vacant Property

	No. Vacant Parcels	Vacant Acres	Project Area Acres	% Vacant Acres
Original Area	57	53.75	916	5.87%
Amendment Area	7	177.86	621	28.64%
Project Area	64	231.61	1,537	34.51%

B. Redevelopment Plan Limits

The Project Area as adopted by Contra Costa County was originally adopted with certain limitations written into the redevelopment plan. These limitations were in accordance with the Law as it existed when the Project Area was adopted. In 1993 AB 1290 was enacted (Chapter 942, Statutes of 1993). Chapter 942 required redevelopment plans adopted prior to 1994 to incorporate a number of limits not previously required. For redevelopment plans adopted prior to 1994, Chapter 942 limits the time for establishing indebtedness not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 942 also limits the receipt of tax increment to ten years after the termination of redevelopment activities except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994. Pursuant to Chapter 942, the County approved ordinances that amended the redevelopment plan and incorporated time limits according to the provisions of Chapter 942.

Chapter 942 also established limits on redevelopment plans adopted after December 31, 1993. These limits also apply to territory added to existing redevelopment project areas after December 31, 1993. The territory within the Amendment Area was added after December 31, 1993. For these more recently adopted redevelopment plans Chapter 942 specified that the effectiveness of a redevelopment plan adopted after 1993 shall expire 30 years from the date of adoption of the redevelopment plan. The time limit for establishing indebtedness is 20 years from the date of adoption of the redevelopment plan and the Agency may repay indebtedness for a total of 45 years from the date of the adoption of the redevelopment plan. Any eminent domain proceedings undertaken by the Agency must be initiated within 12 years of the adoption date of the redevelopment plan.

In 2001 the Legislature enacted SB 211 (Chapter 741, Statutes of 2001) allowing redevelopment agencies to eliminate the time limit for incurring indebtedness required by Chapter 942 for redevelopment plans adopted prior to 1994. The limit may be eliminated by a resolution of the Agency's legislative body and without going through a formal redevelopment plan amendment. Redevelopment agencies that eliminate the time limit for incurring indebtedness are subject to the statutory tax sharing of Chapter 942. On December 8, 2003 the City Council adopted Ordinance No. 16-03 that amended the redevelopment plan to eliminate the limitation on incurrence of new indebtedness in relation to the Original Area.

Pursuant to Senate Bill 1045 (see Section VI) the City Council has the ability to extend the term of both the Original Area and the Amendment Area. This extension is authorized by Section 33333.2(c) for redevelopment agency project areas that were required to make payments to the Education Revenue and Augmentation Fund (the "ERAF") for 2003. The Agency was required to make such payments and did so in a timely manner. The Agency is considering but has not undertaken approval of the amendments authorized under this section of the Law. These extensions have not, therefore, been incorporated into the projections and are not reflected in the redevelopment plan limits shown in Table D below.

Pursuant to Senate Bill 1096 (see Section VI) the term of effectiveness for certain redevelopment plans and the periods of repayment of debt may be extended by up to two years. This two year extension of the time limits is predicated upon the payment by an agency of its ERAF obligations for 2005 and 2006 (See Section VI). For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized if the city council can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2005 no extension of time is authorized. The Agency's ERAF obligation for 2005 and 2006 were, according to the Agency, paid in a timely manner. The Project Area redevelopment plan is not eligible for extension of its expiration time limit pursuant to SB 1096.

On October 22, 2001 the City Council adopted Ordinance No. 17-01 which amended and restated the redevelopment plan and added territory. The Project Area limits on time and use of tax

increment revenue were also amended and restated. The redevelopment plan limits for the Project Area, as modified, are summarized below in Tables D.

**Table D
 Redevelopment Plan Limits**

	Last Date to Incur New Debt	Plan Expiration	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Original Area	Eliminated	December 21, 2029	December 21, 2039		
Amendment Area	October 22, 2021	October 22, 2031	October 22, 2046		
Project Area				\$550 million	\$450 million

According to the records of the Agency and the Contra Costa County Auditor-Controller, through June 30, 2007, the Agency has received a cumulative total of \$27,365,283 in tax increment revenue. Based on the projected tax increment revenues to be received by the Agency, the tax increment limit will not be exceeded during life of the Project Area. If, however, growth in assessed value exceeds an average of 6% per year, the cumulative tax increment may exceed the tax increment limit before the Project Area's last date to repay debt with tax increment revenue.

III. Project Area Assessed Values

A. Assessed Values

Taxable values for all parcels are prepared by the County Assessor and reported to the Agency by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are collectively coterminous with the boundaries of the Project Area. The City of Oakley was incorporated on July 1, 1999 and jurisdiction over the Original Area was transferred to the Agency from the County in November 2000. The historic reported taxable values for the Original Area were reviewed in order to ascertain the rate of taxable property valuation growth over the eight most recent fiscal years beginning with 2000-01. Between 2000-01 and 2007-08, the taxable value within the Original Area increased by \$231,995,961 (98.74%). The assessed value increased in each year and was well in excess of the expected inflationary growth. Secured values increased by \$230,782,457 (101.06%) during this period while unsecured values increased by \$1,213,504 (18.38%). With the inclusion of the Amendment Area in fiscal year 2003-04, the Project Area incorporated an additional \$21,551,221 in base year value. Within the Original Area incremental value has grown by more than 10% annually in all of the years examined except 2001-02 when it grew by 8.87%. The Original Area's average annual growth in incremental value from 2000-01 through 2007-08 was 13.77%.

The Amendment Area became eligible to receive tax increment revenue for the first time in fiscal year 2003-04. The Amendment Area has \$14,850,956 in incremental value for fiscal year 2007-08. From 2003-04 through 2007-08 assessed values increases by \$8,853,118 (32.79%). During this period secured values increased by \$4,746,566 (36.84%) and unsecured values increased by \$4,106,552 (29.09%). The unsecured value within the Amendment Area is almost exclusively made up of boats located within several marina parcels. The unsecured value is divided among over 700 boats with no individual boat being valued at over \$200,000 and the majority of them are

valued at under \$50,000. Table E below lists the incremental values for the Original and Amendment Areas and the percentage change from the previous fiscal year for the past eight fiscal years.

Table E
Project Area Incremental Value and Annual Percentage Change

	<u>Original Area</u>	<u>Amendment Area</u>
2000-01	\$153,950,861 (11.16%)	
2001-02	\$167,612,273 (8.87%)	
2002-03	\$191,502,855 (14.25%)	
2003-04	\$212,627,802 (11.03%)	\$ 5,446,617 (25.27%)
2004-05	\$235,049,891 (10.55%)	\$ 8,865,987 (62.78%)
2005-06	\$282,662,104 (20.26%)	\$12,169,646 (37.26%)
2006-07	\$349,727,615 (23.73%)	\$13,976,356 (14.85%)
2007-08	\$385,946,822 (10.36%)	\$14,299,735 (2.31%)

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in the Project Area for fiscal year 2007-08 was conducted. The assessed values of those properties controlled by the top ten taxpayers in the Project Area were compared to the total assessed value and incremental value of the Project Area. The top ten taxpayers within the Project Area control property valued at \$73,118,247 for 2007-08. This amount represents 15.31% of the total secured value within the Project Area and 0.45% of the unsecured value. It is 14.54% of the total value within the Project Area. The value of property owned by the top tax-payers is 18.27% of the total incremental value of the Project Area. Nine of the Project Area's top ten taxpayers are located within the Original Area. The top taxpayers in the Project Area are all owners of commercial or industrial properties and vacant land. A complete listing of the top ten taxpayers in the Original Area and the Amendment Area as well as within the complete Project Area is shown on Table 4 of each tax increment projection.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the property tax lien date. The lien date for state assessed, secured and unsecured property is January 1. Real property reflects the reported assessed values for secured and unsecured land and improvements. Pursuant to Article XIII A of the State Constitution the value of locally assessed real property may only be increased up to two percent annually to reflect inflation. In most cases real property values are permitted to increase to full market value as a result of a change of ownership or new construction. Utility property assessed by the State Board of Equalization may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of personal property is also

established on the lien dates and is not subject to the annual two percent limit of locally assessed real property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property. Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections. Table F illustrates the amounts of Supplemental Assessment Revenues that have been received by the Agency for the Project Area during the previous four fiscal years.

Table F
Supplemental Assessment Revenue History

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Supplemental Revenue	\$160,785	\$329,104	\$218,812	\$551,046
Total Project Area Revenue	\$2,324,026	\$2,735,058	\$3,129,454	\$4,160,570
Supplemental Revenue as % of Total Revenue	6.92%	12.03%	6.99%	13.24%

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable values and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII. A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

The Original Area contains a total of 23 Tax Rate Areas (TRAs) of which 13 contain taxable value. The Amendment Area contains a total of nine TRAs of which seven contain taxable value. A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that tax rate.

The tax increment projections are based on the published tax rates for 2007-08. These tax rates contain debt service over-ride rates that were levied taxing entities and that were approved by voters after January 1, 1989. These over-ride tax rates do not, therefore, accrue any benefit to the Agency. These debt service over-ride rates have not been considered in the projections. The debt service over-ride rates that are levied by East Bay Regional Parks and the 1988 bond rates for Liberty High School District are applicable to the Project Area and are eliminated from the projection after their maturity. The debt service override tax rate levied by the East Bay Regional Parks District will be eliminated after fiscal year 2020-21 and the override tax rate levied by the Liberty High School District will be eliminated after fiscal year 2014-15. For purposes of the projection these override rates are estimated to decline annually on a straight line reduction basis through their fiscal year of maturity. Within all of the Project Area TRAs, the Contra Costa Water District levies a debt service over-ride tax rate on land value only. This land only tax rate has been factored into the projection and is assumed to remain the same each year until it is eliminated after 2009-10. Table G below illustrates the components that make up the tax rate that is applicable to the Project Areas.

Table G

Secured Tax Rate for 2007-08

Number of Tax Rate Area	26	6
Incremental Value	\$282,553,485	\$110,559,565
General Levy	1.0000	1.0000
East Bay Regional Park	0.0080	0.0080
Liberty High School 1988 Bonds	0.0042	
Contra Costa Water District (Levied on Land Value Only)	0.0039	0.0039
RDA Tax Rate	1.0161	1.0119
Contra Costa Community College 2002 Bonds	0.0038	0.0043
Contra Costa Community College 2006 Bonds	0.0070	0.0070
Liberty Union High School District 1994 Bonds	0.0097	
Liberty Union High School District 2001 Bonds	0.0137	
Oakley Union Elementary Schools 1998 Bonds	0.0147	
Oakley Union Elementary Schools 2004 Bonds	0.0210	
Bay Area Rapid Transit District (BART)	0.0050	0.0050
Total Tax Rate:	1.0910	1.0282

D. Allocation of Taxes

Secured Property Taxes paid by property owners are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due and payable on January 1 and become delinquent August 31. The County disburses Tax Increment Revenue to all redevelopment agencies in three payments. In December the Auditor-Controller allocates approximately 55% of the Agency's projected revenue. In April the Auditor-Controller allocates approximately 40% of the Agency's projected revenue. In June the Auditor-Controller allocates the remaining 5% of Agency revenue.

E. Annual Tax Receipts to Tax Levy

It is the practice of the Auditor-Controller to allocate to redevelopment agencies 100% of the revenue projected by the equalized tax roll. The Agency thereby receives 100 percent of the secured, unsecured and unitary taxes levied on the extended tax roll without regard to corrections, cancellations and refunds. The tax revenues of the Agency are not subject to revenue loss due to delinquencies or gains due to redemptions. Because this methodology is the administrative practice is subject to change, however, the Auditor-Controller has given no indication that any change is being contemplated. This methodology of allocating tax increment revenue to redevelopment agencies is not based on the Teeter Plan that is authorized by Sections 4701 through 4717 of the Revenue and Taxation Code.

Revenues that are derived from the supplemental tax roll are allocated to the Agency under a separate methodology (see Section IV B, Supplemental Assessments).

F. Assessment Appeals

Assessment appeals granted under Section 51 of the Revenue and Taxation Code (also known as Prop 8 Appeals) require that for each subsequent lien date, the value of real property shall adjusted to be the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions took place in some counties during the mid-1990's due to declining real estate values. Reductions made under this code section may be initiated by the Assessor or requested by the property owner.

After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases shall be consistent with the full cash value of the property and, as a result, may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation it, once again, is subject to the annual inflationary factor growth rate allowed under Article XIII A. (See Section X).

Assessment appeals may also be requested as adjustments to a property's base year value. If such an appeal is granted with a change in value, the base year value of the property is adjusted accordingly and that value is subsequently adjusted for new construction, demolition and any other changes requiring revaluation of the parcel's land, improvement and personal property values and by the annual inflationary factor growth rate allowed under Article XIII A.

Appeals data in Contra Costa County is not readily available and so determining the number of currently pending appeals is difficult. In addition, historical appeals data is unavailable so we are unable to make estimates of potential losses in value due to successful assessment appeals. According to the Clerk of the Board of Supervisors who administers assessment appeals for the County, as of November 26, 2007 there are no assessment appeals pending for any properties owned by the top ten taxpayers within the Project Area. In addition, there are no recently approved assessment appeals among the top ten taxpayers that have not been reflected within the 2007-08 tax rolls.

G. County Property Tax Collection Reimbursement

Chapter 466, adopted by Senate Bill 2557, allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The amounts that are reimbursed are the costs connected with the collection and distribution of property taxes for the Tax Collector, the Auditor Controller and the Assessor. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents.

The Property Tax Collection Reimbursement charge for 2007-08 is \$36,951. This amount was 0.91% of the Project Area's Gross Tax Increment Revenue. For purposes of this projection, it is assumed that the Property Tax Collection Reimbursement will continue to be 0.91% of the Project Area's Gross Revenue.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. These revenues are then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent

would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year. The Auditor Controller's 2006-07 unitary revenue allocation for the Project Area was \$7,684. For purposes of this projection, we have assumed that this amount of unitary revenue will continue to be allocated to Project Area for the life of the projection. No additional unitary revenue is expected to be allocated for the Amendment Area.

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law require redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the Housing Set-Aside Requirement). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977.

An agency can reduce the Housing Set-Aside Requirement if the agency annually makes certain findings, consistent with the General Plan Housing Element. These findings are that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the Housing Element of the community's General Plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. The Agency has not made such findings in the past.

A number of taxing entities adopted resolutions pursuant to Section 33676 of the Health and Safety Code at the time the Project Area was adopted. This section of the Law provides that those taxing entities adopting such resolutions are entitled to receive their shares of general levy revenue on inflationary growth of base year real property value (see Section VII A below). The revenue that is allocated to these taxing entities by the Auditor-Controller under Section 33676 are considered adjusted base year revenues and are not considered revenue for purposes of calculating the Housing Set-Aside Requirement. The projection of the Housing Set-Aside Requirement has been calculated at 20% of Adjusted Gross Revenues.

The Agency deposited 14.59% of the proceeds from its 2003 Bonds into the Housing Fund. As a result, the Agency is able to pay 14.59% of the debt service on the 2003 Bonds from the annual

Housing Set-Aside Requirement and/or the Housing Fund. This payment from the Housing Set-Aside Requirement will continue through the maturity of the 2003 Bonds in 2028-29.

VI. Legislation

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City Council may eliminate the time limit to establish indebtedness in Project Areas adopted prior to January 1, 1994 by ordinance. If the Plan is so amended, any existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will commence in the year the eliminated limit would have taken effect. Second, the City Council may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. For the Original Area the City Council adopted Ordinance No. 16-03 on December 8, 2003 which amended the redevelopment plan to eliminate the limitation on incurrence of indebtedness. As a result of this amendment, statutory tax sharing payments from the Original Area will be initiated in fiscal year 2010-11 pursuant to Section 33607.7 of the Law (see Section VII – Tax Sharing Agreements and Other Obligations). The Amendment Area was adopted after January 1, 1994 and, therefore, may not be amended pursuant to this statute.

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). An agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-93 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could have borrowed up to 50 percent of its 1992-93 contribution to the Housing Fund (which must be repaid within ten years), or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency pays and the total amount due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. This obligation applied to the agency and not to specific project areas. According to the Agency, it has no outstanding ERAF obligations. In addition to the payments from redevelopment agencies periodic State budget solutions have involved the shifting of property tax revenues from cities, counties and special districts to the ERAF.

From 1995-96 to 2001-02 state budgets were adopted with no additional shifting of tax increment from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget the shift requirement for

the Agency was \$55,257 for fiscal year 2002-03 only. The Agency made the required payment without impacting its payment of debt service and other obligations.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04 only. The amount of revenue that was transferred by the Agency to Contra Costa County for 2003-04 was \$96,222. The Agency made this payment to the County by the May 10, 2004 deadline.

Under the Law as amended by SB 1045, the Agency was authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years may be deducted from the amount of the Project Area's cumulative tax increment revenues. The City Council has not adopted such an extension amendment for either the Original Area or the Amendment Area. By approving these amendments to the redevelopment plan, the City Council could extend by one year the effective life of the Original and Amendment Areas and the period within which the Agency may repay indebtedness from tax increment revenues. This extension of time has not been reflected in the projections or in the Project Area limits shown in Section II B, Table C.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Based on SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million into ERAF in each of fiscal years 2004-05 and 2005-06. Annual payments were due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50 percent of the current year Housing Set-Aside Revenues, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). The Agency's portion of the statewide ERAF requirement for 2004-05 was \$183,392. The 2005-06 payment was \$189,040. According to the Agency all ERAF payments were made without borrowing from the Housing Fund.

Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, may be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the City Council finds that the Agency is in compliance with specified state housing requirements. These requirements are: 1) that the Agency is setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans are in place; 3) replacement housing and inclusionary housing requirements are being met; and, 4) no excess surplus exists.

If a redevelopment plan has more than 20 years of effectiveness remaining after June 30, 2005, it may not be extended. From both June 30, 2005 and from June 30, 2006 the Original Area and the Amendment Area have more than 20 years remaining before the expiration of the redevelopment

plan. Neither the Original Area nor the Amendment Area is eligible for any extension of time under SB 1096.

Beyond the ERAF provisions described above, the Agency cannot predict whether the State Legislature will enact any other legislation requiring additional or increased future shifts of tax increment revenues to the State and/or to schools, whether through an arrangement similar to ERAF or by other arrangements, and, if so, the effect on future Tax Revenues. The State budget was, however, adopted for 2007-08 with no ERAF obligations from state redevelopment agencies.

VII. Tax Sharing Agreements and Other Obligations

A. Base Year Adjustments

The Original Area was adopted by the Contra Costa County Redevelopment Agency on December 27, 1989. From January 1, 1985 through December 31, 1994, Section 33676 of the Law provided that upon adoption of a resolution, a taxing entity could opt to receive its share of general levy revenue on inflationary growth of the base year real property value for the duration of the project area's life. Taxing entities that adopted such a resolution were not permitted to enter into tax sharing agreements. A number of taxing entities opted to adopt such resolutions at the time the Original Area was adopted by the County Agency. The following taxing entities are receiving payments under Section 33676 by virtue of their having adopted the requisite resolution:

Contra Costa County Resource Conservation District
Bay Area Rapid Transit District
East Bay Regional Parks District
Contra Costa Community College District

As of 2001-02 and pursuant to the Auditor-Controller's understanding of the judicial ruling in the Santa Ana decision (see Section D below), the following school districts are also receiving base year adjustment payments pursuant to Section 33676. These school districts have not adopted resolutions opting to receive base year adjustment payments pursuant to this section but are receiving base year adjustment payments:

Brentwood Elementary School District
Knightson Elementary School District
Byron Elementary School District

At the time the County adopted the Original Area, it adopted a resolution under Section 33676 whereby the County General Fund elected to receive base year adjustment payments. Upon the

incorporation of the City of Oakley and the jurisdictional transfer of the Oakley Redevelopment Project from the County Redevelopment Agency to the Oakley Redevelopment Agency, the Auditor-Controller determined that the City would be the successor to the County's base year adjustment payments. As a result, the City of Oakley receives base year adjustment payments from the Auditor-Controller.

All payments received by taxing entities under Section 33676 are allocated by the Auditor-Controller from revenues derived out of the Original Area portion of the Project Area. No such payments are forthcoming from Amendment Area tax revenues.

B. Tax Sharing Agreements

At the time the Original Area was transferred into the control of the Oakley Redevelopment Agency, it was obligated under a number a tax sharing agreements that were entered into by the County Redevelopment Agency at the time of adoption. These tax sharing agreements are outlined below. The general levy shares are adjusted for the weighted average portion of the Original Area that is within a particular district's boundaries.

The Contra Costa County Office of Education (2.27%), the Oakley Fire Protection District (4.97%) and the Contra Costa County Mosquito Abatement District (1.44%) receive their shares of general levy tax increment revenue from the Original Area. By the terms of the agreement between the Agency and the Contra Costa County Mosquito Abatement District, tax sharing payment made to the District are subordinate to debt service payments on the Bonds. The agreement between the Agency and the Oakley Fire Protection District allows that the tax sharing payments to the District may be subordinated to the payment of debt service on the Bonds. Subordination of these payments was requested by the Agency and granted by the Fire Protection District.

The Antioch Unified School District (9.9%), the Oakley Union Elementary School District (12.21%) and the Liberty Union High School District (12.72%) receive their full shares of general levy revenue on inflationary growth of base year real property value. In addition, each of these districts receives 25% of its share of the Original Area general levy tax increment revenue net of that district's inflationary share. The agreements between the Agency and these three school districts allow that the tax sharing payments to the Districts may be subordinated to the payment of debt service on the Bonds. Subordination of these payments was requested by the Agency and granted by the three school districts.

C. Jurisdictional Transfer Agreement

The Original Area was transferred into the control of the Oakley Redevelopment Agency by means of a Jurisdictional Transfer Agreement (herein, the Transfer Agreement) between the Agency and the Contra Costa County Redevelopment Agency. This agreement called for the payment of portions of the Original Area's revenue to the County General Fund, the County Library, the

County Flood Control District and the County Water Agency. The payments to be made pursuant to Section 8.02 of the Transfer Agreement were to be patterned after the statutory tax sharing payments outlined in the Law for those project areas adopted after 1994 (see Section D below). The Transfer Agreement stipulated that these payments would utilize the Original Area's 1989-90 base year values as the basis for calculation of the Tier 1 tax sharing payments. The Original Area's 1999-00 assessed values were the basis for calculation of the Tier 2 tax sharing payments. The full amount of these statutory-like tax sharing payments were deducted from the Original Area revenues for 2000-01 through 2002-03.

Section 8.05 of the Transfer Agreement requires that in the event the that the Agency amends the Original Area to include all or a substantial portion of certain areas of the City, an alternative payment schedule would take the place of the statutory-like payments outlined in Section 8.02. The Agency amended the plan in October 2001 and added the Amendment Area to the Original Area to form the Project Area. By the terms of the Transfer Agreement the statutory-like payments were to terminate for fiscal year 2001-02 and the Alternative Payment schedule was to have taken its place. The termination of the statutory-like payments did not occur on schedule but this oversight by the Auditor-Controller's office was corrected as of October, 15, 2003. The Alternative Payment amounts vary in size and were to begin on January 31, 2002 (fiscal year 2001-02) and continue through fiscal year 2010-11. As of June 29, 2007 the amounts to be paid pursuant to the payment schedule have been paid through fiscal year 2006-07. The payment required as of January 31, 2008 is \$225,000. The remaining payment amounts in the Alternative Payment schedule are assumed to be paid on January 31 of each fiscal year through 2010-11.

Prior to transferring jurisdiction of the Original Area to the Oakley Redevelopment Agency, the County Agency had entered into a loan agreement with the Contra Costa County Financing Authority. The loan payments to the County Financing Authority supported the debt service on bonds issued by the Financing Authority and loaned to the County Agency. Under the terms of the Transfer Agreement, the Agency is obligated to continue to pay these County loan payments from Agency revenues. These payments are approximately \$506,000 per year and this amount was deducted by the Auditor-Controller from Agency for three years. The payments on this loan were scheduled to continue until 2027-28. The Agency used proceeds from its 2003 Bonds to discharge the County Financing Authority's bonds and to eliminate this reduction in Agency revenue.

D. Statutory Tax Sharing Payments

Original Area

Ordinance No. 16-03 was adopted on December 8, 2003 eliminating the time limit on incurrence of new indebtedness and increasing the amount of tax increment that may be used to repay indebtedness within the Original Area. For project areas adopted prior to January 1, 1994, Section 33607.7 of the Law requires statutory tax sharing payments to be made if such an amendment is enacted. Tax sharing payments will be made to all taxing entities that have not entered into tax sharing agreement with the Agency (see Section VII B above) in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. The following taxing entities have entered into a tax sharing agreement with the Agency and will not receive a share of the statutory tax sharing amount.

Antioch Unified School District	Oakley Union Elementary School District
Liberty Union High School District	Contra Costa Co. Office of Education
Oakley Fire Protection District	Contra Costa Co. Mosquito Abatement District

All other taxing entities within the Original Area will share in the statutory tax sharing amounts including those taxing entities that receive base year adjustment payments (See Section VII A above).

Since the former time limit on incurrence of new debt for the Original Area was December 21, 2009, these statutory tax-sharing payments will begin in fiscal year 2010-11 and use the valuation for 2009-10 as the adjusted base year. The annual tax sharing amount to be divided among the affected taxing entities is 25% of the revenue derived from the difference in assessed value between the adjusted base year value and the current year value net of a 20% share for the Housing Set-Aside requirement. According to the Law, these statutory tax sharing payments will continue through the fiscal year within which the Original Area's redevelopment plan activities terminate. As a result, for the final ten years that the Original Area is permitted to repay indebtedness with tax revenue, there will be no statutory tax sharing payment requirement.

The second tier of statutory tax sharing payments required by Section 33607.7 begin in the fiscal year 2020-21 and uses the project area assessed value in 2019-20 as a second adjusted base year value. The annual tier two tax sharing amount to be divided among the affected taxing entities is 21% of the revenue derived from the difference in assessed value between the adjusted base year value and the current year value net of a 20% share for the Housing Set-Aside requirement. According to the Law, these statutory tax sharing payments will continue through the fiscal year within which the Original Area's redevelopment plan activities terminate. As a result, for the final ten years that the Original Area is permitted to repay indebtedness with tax revenue, there will be no statutory tax sharing payment requirement. A third tier of statutory tax sharing outlined in the Law will not be initiated prior to the expiration of the redevelopment plan's effectiveness.

Amendment Area

The Amendment Area was adopted after January 1, 1994 and is, therefore, subject to the statutory tax sharing payments mandated in the Law as amended by Assembly Bill 1290 and outlined in Section 33607.5. These tax-sharing payments are set by statute and are not negotiated. A prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Amendment Area. This defined tax-sharing amount has three tiers.

The first tier began in fiscal year 2003-04, the first year that the Amendment Area received tax increment revenue, and continues for the life of the Amendment Area. This first tier tax-sharing amount is 25 percent of the Agency's annual gross tax increment revenue net of the Housing Set-Aside Requirement. The City of Oakley may elect to receive its share of this first tier of tax-sharing

payments. If the City does not elect to receive its share, that amount of the tax sharing payment will remain with the Agency.

The second tier begins in 2013-14; the eleventh year after the Agency first receives tax increment revenue from the Amendment Area. This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Requirement, that is derived from the growth in assessed value that is in excess of the assessed value of the Amendment Area in fiscal year 2012-13. The City may not receive any portion of the second tier tax-sharing payments.

The third tier begins 2033-34; the 31st year after the Agency first receives tax increment revenue from the Amendment Area. This third tier payment amount is 14 percent of the tax increment revenue, net of the Housing Set-Aside Requirement that is derived from the growth in assessed value that is in excess of the assessed value of the Amendment Area in fiscal year 2032-33. The City may not receive any portion of the third tier tax-sharing payments. These three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the Amendment Area.

Pursuant to Section 33607.5(e) of the Law, the Agency has requested subordination of the Original Area and Amendment Area statutory tax sharing amounts to the payment of debt service on the Bonds. Unless a taxing entity can demonstrate that the Agency's financing will deprive it of a reasonable expectation of receiving its share of the statutory tax sharing amount, these shares will be subordinated to the payment of debt service on the Bonds at the end of a 45 day period beginning with the day the taxing entities receive the subordination request. This subordination request was mailed to the taxing entities on October 22, 2007 and was received by the taxing entities by October 24. Subordination of the statutory tax sharing payments has been assumed in the projections pending the end of the 45 day review period on or about December 8, 2007.

E. Court Decisions

Santa Ana Decision

The State Court of Appeals upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Commission pursuant to a resolution adopted by the School District in 1999 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Commission; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a) (2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the base year adjustment). Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290). The changes to the Law contained in AB1290 were effective as of January 1, 1994.

The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts may receive the base year adjustment by adopting the appropriate resolution at any time. The Contra Costa County Auditor-Controller has interpreted this ruling to mean that school and community college district that have not entered into tax sharing agreements will automatically receive their base year adjustments. By this interpretation and because the Original Area was adopted during the period that Section 33676(a) was in effect, in 2001-02 the Auditor-Controller began allocating the base year adjustments to the Byron Elementary School District, the Brentwood Elementary School District and the Knightson Elementary School District.

VIII. New Development and Transfers of Ownership

New value will be added to the Original Area for fiscal year 2008-09 as the result of 26 transfers of ownership that have occurred after the lien date for the 2007-08 tax roll. The combined value of these transfers of ownership is \$3,987,500 more than the 2007-08 tax roll values for these 26 parcels. No new value is projected to be forthcoming from transfers of ownership within the Amendment Area.

Increased of value that might be expected to result from new development projects that are under construction or recently completed have not been estimated or included in the projections.

IX. Trended Taxable Value Growth

Growth in real property land and improvement values have been limited to an assumed rate of growth of real property taxable values of two percent annually as allowed under Article XIII A of the State Constitution. A two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and this rate of growth has been achieved in all but five years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%) and 1999-00 (1.85%) and 2004-05 (1.867%). If in future years the growth of taxable value in the project area is less than two percent, the resultant Tax Increment Revenues would be reduced.

HdL Coren & Cone make no representation that taxable values will actually grow at two percent. Future values will also be affected by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this report might also impact property taxes and Tax Increment Revenue.

As a result of the recent nationwide increase in defaults on residential mortgages there has been concern expressed in the financial market over the possible impact that these defaults may have on

redevelopment agency revenues in general. Reliable information on foreclosure activity is difficult to find and what information that is available is not readily applicable to discrete areas within cities and redevelopment project areas. Much of the information available is segregated by county or ZIP code. The information within the following table is based on information available from the RealtyTrac website.

Table H
Foreclosure Data for the City of Oakley by ZIP Code

As of:	Notices of Default	Notices of Trustee's Sale	Real Estate Owned by Lender	Total City Parcels	Total City Residential Parcels
March, 2008	460	149	449	11,602	6,992

According to RealtyTrac, properties receiving a Notice of Default from a trustee are in the first phase of the foreclosure process. A Notice of Default is sent after the occurrence of a default under the terms of the deed of trust or mortgage. A Notice of Trustee's Sale is filed announcing a public auction of property that is in default under the terms of the deed of trust or mortgage. This is the second phase of the foreclosure process. Real Estate Owned by Lender reflects the final stage in the foreclosure process. These are properties that have been conveyed into the ownership of the lender. Generally the foreclosure process may be halted by the property owner or borrower paying the amount that is in default under the deed of trust and bringing the loan current.

There are a number of parcels on which Notices of Default or Notices of Trustee's Sale have been filed or are Lender owned. The City is located entirely within ZIP code 94561 but that ZIP code also includes unincorporated areas of Contra Costa County. We are unable to determine how many of the parcels represented in Table H may be located within the Project Area or that are located within the city limits of Oakley.

In advance of publishing the 2007-08 tax rolls, the Contra Costa County Assessor reviewed the assessed values of about 30,000 residential parcels that had been sold since June 2005 and reduced the assessed values on about 22,500 of them. According to the Assessor the average reduction was about 8%. The Assessor stated that most of the reductions were on properties that were within new subdivisions that had been built in the past three years. This reduction in value was the first proactive reduction undertaken by the Assessor since 1995. Despite the reductions in value that were implemented for 2007-08, the value of residential parcels within the Project Area increased by \$27,631,215 (8.97%) over the value of residential parcels in 2006-07. New residential developments that were constructed during the past three years or are currently under construction are located in parts of the City outside of the Project Area.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Contra Costa County Assessor and Auditor-

Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 1

04/24/08

Taxable Values (1)	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Real Property (2)	472,226	485,658	495,371	505,279	515,384	525,692	536,206	546,930	557,869	569,026
Personal Property (3)	<u>30,587</u>									
Total Projected Value	502,814	516,246	525,959	535,866	545,972	556,280	566,793	577,518	588,456	599,614
Taxable Value over Base	102,567	400,247	413,679	423,392	433,299	443,405	453,712	464,226	474,950	497,046
Gross Tax Increment Revenue (4)	4,054	4,188	4,284	4,376	4,476	4,579	4,683	4,789	4,898	5,004
Unitary Tax Revenue	<u>8</u>									
Gross Revenues	4,061	4,196	4,293	4,384	4,484	4,586	4,691	4,797	4,906	5,012
Section 33676 Base Year Adjustments										
County Resource Conservation District (5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Bay Area Rapid Transit (5)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)
East Bay Regional Park (5)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)	(6)
Brentwood Elementary School Dist. (5)	(6)	(7)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	(10)
Byron Elementary School District (5)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)
Knightson Elementary School District (5)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)
Contra Costa Community College District (5)	(19)	(20)	(21)	(23)	(24)	(26)	(27)	(29)	(30)	(32)
City of Oakley (6)	<u>(25)</u>	<u>(27)</u>	<u>(29)</u>	<u>(31)</u>	<u>(32)</u>	<u>(34)</u>	<u>(36)</u>	<u>(38)</u>	<u>(40)</u>	<u>(42)</u>
Adjusted Gross Revenues	3,999	4,129	4,221	4,308	4,403	4,501	4,600	4,702	4,805	4,906
LESS:										
SB 2557 Admin. Fee (7)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
Housing Set Aside Requirement (8)	(800)	(826)	(844)	(862)	(881)	(900)	(920)	(940)	(961)	(981)
Pass Throughs										
County Payments per Section 8.05 (9)	(225)	(275)	(300)	(297)						
County Office of Education (11)	<u>(89)</u>	<u>(92)</u>	<u>(94)</u>	<u>(96)</u>	<u>(98)</u>	<u>(100)</u>	<u>(103)</u>	<u>(105)</u>	<u>(107)</u>	<u>(110)</u>
Tax Revenues	2,848	2,898	2,944	3,013	3,384	3,459	3,535	3,613	3,692	3,770
Subordinate Tax Sharing										
Antioch Unified School District (10)	(121)	(126)	(130)	(134)	(138)	(143)	(147)	(151)	(156)	(160)
Oakley Union Elementary District (10)	(149)	(155)	(160)	(165)	(170)	(176)	(181)	(186)	(192)	(198)
Liberty High School District (10)	(156)	(162)	(167)	(172)	(178)	(183)	(189)	(194)	(200)	(206)
Oakley Fire Protection District (11)	(195)	(201)	(206)	(210)	(215)	(220)	(225)	(230)	(235)	(240)
Contra Costa Mosquito Abatement District (13)	(57)	(58)	(60)	(61)	(62)	(64)	(65)	(67)	(68)	(70)
Statutory Tax Sharing Tier 1 (12)	(29)	(30)	(31)	(51)	(71)	(92)	(113)	(135)	(157)	(179)
Statutory Tax Sharing Tier 2 (12)	0	0	0	0	0	0	(1)	(1)	(2)	(3)
Statutory Tax Sharing Tier 3 (12)	<u>0</u>									
Net Tax Revenues	2,142	2,165	2,190	2,220	2,549	2,582	2,615	2,648	2,682	2,714

Oakley Redevelopment Agency Oakley Redevelopment Project Area

Projection of Incremental Taxable Value & Tax Increment Revenue

04/24/08

Footnotes for Table 1

- (1) Taxable values as reported by Contra Costa County.
- (2) Real property consists of land and improvements. Real Property value is increased for inflation at 2% annually and for added value of \$3,987,500 in 2008-09 for transfers of ownership.
- (3) Personal property is held constant at 2007-08 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters prior to 1988. The future tax rate is assumed to decline to \$1 per \$100 of taxable assessed value after maturity of voter approved debt. The override tax rate levied by the Contra Costa Water District on land value only is assumed to remain at 0.0039% through 2009-10 and is eliminated thereafter.
- (5) Taxing entities receive their shares of general levy revenue derived from inflationary growth on the base year real property value per the former Section 33676 of the Health and Safety Code.
- (6) As the successor to Contra Costa County, the City of Oakley receives its share of general levy revenue derived from inflationary growth on base year real property value per the former Section 33676 of the Health and Safety Code.
- (7) County Administration charges are actual for 2007-08 and estimated for future years at 0.91% of Gross Revenue.
- (8) Housing Set Aside calculated at 20% of Adjusted Gross Revenue. The Agency pays 14.59% of the annual debt service on its 2003 Bonds from the Housing Set-Aside amount through 2028-29.
- (9) Pursuant to an agreement between the City of Oakley and the County that transfers the Oakley Redevelopment Project into the control of the Oakley Redevelopment Agency, the Agency agrees that in the event that the Project Area is amended, as it was in 2001, the Agency will make certain compensatory payments to the County. These compensatory payments were initially paid in fiscal year 2004-05 and additional payments have been made periodically. The 2006-07 payment of \$175,000 was made on 6/29/2007. The final 4 payments will be made on January 31 of each fiscal year beginning with January 31, 2008 and ending with the last payment on January 31, 2011.
- (10) Antioch Unified School District (9.91%), Oakley Union Elementary School District (12.21%) and the Liberty High School District (12.72%) receive their shares of general levy revenue on inflationary growth of base year real property value. In addition, the districts receive 25% of their shares of general levy tax increment revenue net of the amount of their shares of inflationary growth. These payments have been subordinated to payment of debt service on the Bonds at the request of the Agency pursuant to the terms of the agreements.
- (11) Contra Costa County Office of Education (2.27%) and the Oakley Fire Protection District (4.97%) receive their shares of general levy tax increment revenue. The payments to the Oakley Fire Protection District have been subordinated to the payment of debt service on the Bonds at the request of the Agency pursuant to the terms of the agreement.
- (12) Within Project Area 2, Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The City is considered a taxing entity and may opt to receive its share of the first tier of this tax sharing requirement but may not receive shares from Tiers 2 and 3.
- (13) Contra Costa County Mosquito Abatement District (1.44%) receives its share of general levy tax increment revenue. Tax sharing payments are, by the terms of the agreement, subordinate to the payment of debt service on the Bonds.

**Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

04/24/08

Table 2

		Taxable Value		Section 33676			Housing Set-Aside	SB 2557 Charge	Payments to			Statutory Tax Sharing Payments			Subordinate	
		Total Taxable Value	Over Base Various	Base Year Adjustments	Adjusted Gross Revenue	Base Year Gross Revenue			County per Transfer Agreement	Tax Sharing Payments	Tax Revenues	Tier 1	Tier 2	Tier 3	Tax Sharing Payments	Net Tax Revenues
1	2007-08	502,814	400,247	4,061	(63)	3,999	(800)	(37)	(225)	(89)	2,848	(29)	0	0	(677)	2,142
2	2008-09	516,246	413,679	4,196	(67)	4,129	(826)	(38)	(275)	(92)	2,898	(30)	0	0	(703)	2,165
3	2009-10	525,959	423,392	4,293	(72)	4,221	(844)	(39)	(300)	(94)	2,944	(31)	0	0	(723)	2,190
4	2010-11	535,866	433,299	4,384	(76)	4,308	(862)	(40)	(297)	(96)	3,013	(51)	0	0	(762)	2,200
5	2011-12	545,972	443,405	4,484	(81)	4,403	(881)	(41)		(98)	3,384	(71)	0	0	(802)	2,510
6	2012-13	556,280	453,712	4,586	(85)	4,501	(900)	(42)		(100)	3,459	(92)	0	0	(844)	2,523
7	2013-14	566,793	464,226	4,691	(90)	4,600	(920)	(43)		(103)	3,535	(113)	(1)	0	(886)	2,536
8	2014-15	577,518	474,950	4,797	(95)	4,702	(940)	(44)		(105)	3,613	(135)	(1)	0	(929)	2,548
9	2015-16	588,456	485,889	4,906	(100)	4,805	(961)	(45)		(107)	3,692	(157)	(2)	0	(972)	2,561
10	2016-17	599,614	497,046	5,012	(105)	4,906	(981)	(46)		(110)	3,770	(179)	(3)	0	(1,016)	2,572
11	2017-18	610,994	508,427	5,119	(111)	5,009	(1,002)	(47)		(112)	3,848	(202)	(4)	0	(1,061)	2,582
12	2018-19	622,602	520,035	5,229	(116)	5,113	(1,023)	(48)		(114)	3,929	(225)	(4)	0	(1,106)	2,593
13	2019-20	634,442	531,875	5,341	(121)	5,220	(1,044)	(49)		(117)	4,010	(248)	(5)	0	(1,152)	2,605
14	2020-21	646,520	543,952	5,455	(127)	5,328	(1,066)	(50)		(119)	4,093	(272)	(6)	0	(1,219)	2,577
15	2021-22	658,838	556,271	5,571	(133)	5,438	(1,088)	(51)		(122)	4,178	(296)	(6)	0	(1,287)	2,549
16	2022-23	671,403	568,836	5,696	(138)	5,558	(1,112)	(52)		(125)	4,270	(321)	(7)	0	(1,357)	2,524
17	2023-24	684,220	581,652	5,824	(144)	5,680	(1,136)	(53)		(127)	4,364	(347)	(8)	0	(1,429)	2,499
18	2024-25	697,292	594,725	5,955	(150)	5,805	(1,161)	(54)		(130)	4,459	(373)	(11)	0	(1,502)	2,473
19	2025-26	710,626	608,059	6,088	(156)	5,932	(1,186)	(55)		(133)	4,557	(400)	(13)	0	(1,577)	2,446
20	2026-27	724,227	621,660	6,224	(163)	6,062	(1,212)	(57)		(136)	4,657	(427)	(15)	0	(1,653)	2,420
21	2027-28	738,100	635,533	6,363	(169)	6,194	(1,239)	(58)		(139)	4,758	(455)	(18)	0	(1,731)	2,392
22	2028-29	752,250	649,683	6,504	(175)	6,329	(1,266)	(59)		(142)	4,862	(483)	(20)	0	(1,811)	2,364
23	2029-30	766,683	664,116	6,649	(182)	6,467	(1,293)	(60)		(145)	4,967	(512)	(22)	0	(1,892)	2,336
24	2030-31	781,405	678,838	6,796	(189)	6,607	(1,321)	(62)		(149)	5,075	(541)	(15)	0	(1,246)	3,764
25	2031-32	796,422	693,855	6,946	(196)	6,750	(1,350)	(63)		(152)	5,185	(570)	(16)	0	(1,277)	3,840
26	2032-33	811,738	709,171	7,099	(203)	6,897	(1,379)	(65)		(155)	5,297	(600)	(17)	0	(1,309)	3,918
27	2033-34	827,361	724,794	7,256	(210)	7,046	(1,409)	(66)		(159)	5,412	(630)	(18)	(1)	(1,341)	3,997
28	2034-35	843,297	740,730	7,415	(217)	7,198	(1,440)	(67)		(162)	5,529	(660)	(19)	(1)	(1,374)	4,078
29	2035-36	859,551	756,984	7,577	(225)	7,353	(1,471)	(69)		(166)	5,648	(690)	(20)	(2)	(1,408)	4,160
30	2036-37	876,130	773,563	7,743	(232)	7,511	(1,502)	(70)		(169)	5,769	(720)	(21)	(3)	(1,443)	4,244
31	2037-38	893,041	790,474	7,912	(240)	7,672	(1,534)	(72)		(173)	5,893	(750)	(23)	(4)	(1,099)	4,708
32	2038-39	910,290	807,723	8,085	(248)	7,837	(1,567)	(74)		(177)	6,019	(780)	(24)	(4)	(1,127)	4,803
33	2039-40	52,654	31,103	311		311	(62)	(3)			246	(62)	(25)	(5)		154
34	2040-41	53,370	31,819	318		318	(64)	(3)			252	(64)	(26)	(6)		156
35	2041-42	54,100	32,549	325		325	(65)	(3)			257	(65)	(27)	(7)		158
36	2042-43	54,845	33,294	333		333	(67)	(3)			263	(67)	(29)	(8)		160
37	2043-44	55,605	34,054	341		341	(68)	(3)			269	(68)	(30)	(8)		163
38	2044-45	56,380	34,829	348		348	(70)	(3)			275	(70)	(31)	(9)		165
39	2045-46	57,171	35,619	356		356	(71)	(3)			282	(71)	(32)	(10)		168
				190,590	(4,678)	185,912	(37,182)	(1,735)	(1,097)	(4,120)	141,777	(6,414)	(1,634)	(69)	(38,716)	94,944

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area
HISTORICAL VALUES (1)

04/24/08

Table 3

	Base Year 1989-90	2000-01	2001-02	2002-03	Base Year Adjusted	2003-04	2004-05	2005-06	2006-07	2007-08
Secured (2)										
Land	80,787,366	79,411,649	85,498,726	92,284,957	89,026,552	110,372,773	124,659,023	151,189,368	184,509,592	206,022,665
Improvements	228,544	153,006,295	160,313,059	177,138,592	4,911,843	193,096,242	206,466,568	226,059,065	259,813,578	271,915,233
Personal Property	0	1,129,184	1,331,583	2,005,139	0	2,109,255	2,474,989	8,226,150	9,410,873	10,184,045
Exemptions	0	(5,181,768)	(5,285,392)	(5,750,334)	0	(5,945,568)	(10,014,501)	(11,277,860)	(12,252,534)	(11,344,395)
Total Secured	81,015,910	228,365,360	241,857,976	265,678,354	93,938,395	299,632,702	323,586,079	374,196,723	441,481,509	476,777,548
Unsecured										
Land	0	2,431	7,511	7,439	0	15,243	15,525	64,433	7,143	12,786
Improvements	0	3,231,148	2,887,836	3,390,588	0	3,127,655	4,426,813	4,421,447	5,093,292	5,619,989
Personal Property	0	3,367,832	3,874,860	3,442,384	8,628,736	17,865,950	18,454,592	18,716,278	19,733,180	20,445,757
Exemptions	0	0	0	0	0	0	0	0	(44,022)	(42,392)
Total Unsecured	0	6,601,411	6,770,207	6,840,411	8,628,736	21,008,848	22,896,930	23,202,158	24,789,593	26,036,140
GRAND TOTAL	81,015,910	234,966,771	248,628,183	272,518,765	102,567,131	320,641,550	346,483,009	397,398,881	466,271,102	502,813,688
Incremental Value		153,950,861	167,612,273	191,502,855		218,074,419	243,915,878	294,831,750	363,703,971	400,246,557

(1) Source: County of Contra Costa.

(2) Secured values include state assessed non-unitary utility property.

Redevelopment Agency of the City of Oakley

Oakley Redevelopment Project Area

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2007-08

04/24/08

Table 4

	Secured			Unsecured			Total		Land Use Code
	Assessed Value	Parcels	Percentage	Assessed Value	Parcels	Percentage	Assessed Value	Percentage	
1. Cypress Square S&R Associates	\$16,561,907	1	3.47%	\$0	0	0.00%	\$16,561,907	3.29%	Commercial
2. HPH Properties Limited Partnership	\$8,552,268	2	1.79%	\$0	0	0.00%	\$8,552,268	1.70%	Industrial
3. Lucky No. California Investor LLC	\$8,361,536	1	1.75%	\$0	0	0.00%	\$8,361,536	1.66%	Commercial Shopping Center
4. Western Oilfields Supply Company	\$8,243,763	2	1.73%	\$0	0	0.00%	\$8,243,763	1.64%	Light Industrial
5. Simon Oakley Town Center LLC	\$7,640,691	4	1.60%	\$0	0	0.00%	\$7,640,691	1.52%	Commercial Shopping Center
6. Shurgard California Properties	\$6,737,473	1	1.41%	\$0	0	0.00%	\$6,737,473	1.34%	Self Storage
7. WEC 98D LLC	\$5,108,109	1	1.07%	\$0	0	0.00%	\$5,108,109	1.02%	Commercial
8. SFP B Limited Partnership	\$4,137,344	3	0.87%	\$0	0	0.00%	\$4,137,344	0.82%	Commercial
9. El Du Pont De Nemours & Company	\$3,943,785	5	0.83%	\$117,589	2	0.45%	\$4,061,374	0.81%	Industrial
10. Conoco Land Company	\$3,713,782	3	0.78%	\$0	0	0.00%	\$3,713,782	0.74%	Dry Farm
Totals:	\$73,000,658	23	15.31%	\$117,589	2	0.45%	\$73,118,247	14.54%	
Total Assessed Values:	\$476,777,548			\$26,036,140			\$502,813,688		
Incremental Assessed Value:	\$382,839,153		19.07%	\$17,407,404		0.68%	\$400,246,557	18.27%	

**Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area**

**New Development
Table 5**

04/24/08

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value</u>		<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
					<u>Start</u>	<u>Complete</u>				
	0	\$0	\$0	\$0	\$0		0	0	0	0
	0	\$0	\$0	\$0	\$0		0	0	0	0
	0	\$0	\$0	0	0		0	0	0	0
	0	\$0	\$0	0	0		0	0	0	0
Transferred Parcels	26	Lump Sum	<u>\$10,064,500</u>	<u>(\$6,077,000)</u>	<u>\$3,988</u>		0	3,988	0	0
Total Real Property			10,064,500	(6,077,000)	3,988		0	3,988	0	0

Bond Services/Tax Allocation Bonds/Oakley 2007/Projection 4 - Subordination Change 4-15-08 Revised

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Original)

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

04/24/08

Table 1

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Taxable Values (1)										
Real Property (2)	453,230	466,282	475,608	485,120	494,822	504,719	514,813	525,109	535,611	546,324
Personal Property (3)	13,733	13,733	13,733	13,733	13,733	13,733	13,733	13,733	13,733	13,733
Total Projected Value	466,963	480,015	489,340	498,853	508,555	518,451	528,546	538,842	549,344	560,056
Taxable Value over Base	81,016	385,947	398,999	408,325	417,837	427,539	437,436	447,530	457,826	479,041
Gross Tax Increment Revenue (4)	3,909	4,039	4,132	4,220	4,316	4,414	4,515	4,617	4,721	4,822
Unitary Tax Revenue	8	8	8	8	8	8	8	8	8	8
Gross Revenues	3,916	4,047	4,140	4,227	4,324	4,422	4,522	4,624	4,728	4,830
Section 33676 Base Year Adjustments										
County Resource Conservation District (5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Bay Area Rapid Transit (5)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)
East Bay Regional Park (5)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)	(6)
Brentwood Elementary School Dist. (5)	(6)	(7)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	(10)
Byron Elementary School District (5)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)
Knightson Elementary School District (5)	(3)	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)
Contra Costa Community College District (5)	(19)	(20)	(21)	(23)	(24)	(26)	(27)	(29)	(30)	(32)
City of Oakley (6)	(25)	(27)	(29)	(31)	(32)	(34)	(36)	(38)	(40)	(42)
Adjusted Gross Revenues	3,854	3,980	4,068	4,151	4,243	4,337	4,432	4,529	4,628	4,725
LESS:										
SB 2557 Admin. Fee (7)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(43)	(44)
Housing Set Aside Requirement (8)	(771)	(796)	(814)	(830)	(849)	(867)	(886)	(906)	(926)	(945)
Pass Throughs										
County Payments per Section 8.05 (9)	(225)	(275)	(300)	(297)						
County Office of Education (11)	(89)	(92)	(94)	(96)	(98)	(100)	(103)	(105)	(107)	(110)
Tax Revenues	2,733	2,780	2,823	2,889	3,257	3,329	3,402	3,476	3,552	3,626
Subordinate Tax Sharing Payments										
Antioch Unified School District (10)	(121)	(126)	(130)	(134)	(138)	(143)	(147)	(151)	(156)	(160)
Oakley Union Elementary District (10)	(149)	(155)	(160)	(165)	(170)	(176)	(181)	(186)	(192)	(198)
Liberty High School District (10)	(156)	(162)	(167)	(172)	(178)	(183)	(189)	(194)	(200)	(206)
Oakley Fire Protection District (11)	(195)	(201)	(206)	(210)	(215)	(220)	(225)	(230)	(235)	(240)
Contra Costa Mosquito Abatement District (12)	(57)	(58)	(60)	(61)	(62)	(64)	(65)	(67)	(68)	(70)
Statutory Tier 1 Payments (13)	0	0	0	(19)	(39)	(59)	(79)	(100)	(121)	(143)
Statutory Tier 2 Payments (13)	0	0	0	0	0	0	0	0	0	0
Net Tax Revenues	2,056	2,077	2,100	2,127	2,455	2,485	2,516	2,548	2,580	2,610

Oakley Redevelopment Agency
Oakley Redevelopment Project Area (Original)
Projection of Incremental Taxable Value & Tax Increment Revenue
Footnotes for Table 1

- (1) Taxable values as reported by Contra Costa County.
- (2) Real property consists of land and improvements. Real Property value is increased for inflation at 2% annually and for added value of \$3,987,500 in 2008-09 for transfers of ownership.
- (3) Personal property is held constant at 2007-08 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters prior to 1988. The future tax rate is assumed to decline to \$1 per \$100 of taxable assessed value after maturity of voter approved debt. The override tax rate levied by the Contra Costa Water District on land value only is assumed to remain at 0.0039% through 2009-10 and is eliminated thereafter.
- (5) Taxing entities receive their shares of general levy revenue derived from inflationary growth on the base year real property value per the former Section 33676 of the Health and Safety Code.
- (6) As the successor to Contra Costa County, the City of Oakley receives its share of general levy revenue derived from inflationary growth on base year real property value per the former Section 33676 of the Health and Safety Code.
- (7) County Administration charges are actual for 2007-08 and estimated for future years at 0.91% of Gross Revenue.
- (8) Housing Set Aside calculated at 20% of Adjusted Gross Revenue. The Agency pays 14.59% of the annual debt service on it's 2003 Bonds from the Housing Set-Aside amount through 2028-29.
- (9) Pursuant to an agreement between the City of Oakley and the County that transfers the Oakley Redevelopment Project into the control of the Oakley Redevelopment Agency, the Agency agrees that in the event that the Project Area is amended, as it was in 2001, the Agency will make certain compensatory payments to the County. These compensatory payments were initially paid in fiscal year 2004-05 and additional payments have been made periodically. The 2006-07 payment of \$175,000 was made on 6/29/2007. The final 4 payments will be made on January 31 of each fiscal year beginning with January 31, 2008 and ending with the last payment on January 31, 2011.
- (10) Antioch Unified School District (9.91%), Oakley Union Elementary School District (12.21%) and the Liberty High School District (12.72%) receive their shares of general levy revenue on inflationary growth of base year real property value. In addition, the districts receive 25% of their shares of general levy tax increment revenue net of the amount of their shares of inflationary growth. These payments have been subordinated to payment of debt service on the Bonds at the request of the Agency pursuant to the terms of the agreements.
- (11) Contra Costa County Office of Education (2.27%) and the Oakley Fire Protection District (4.97%) receive their shares of general levy tax increment revenue. The payments to the Oakley Fire Protection District have been subordinated to the payment of debt service on the Bonds at the request of the Agency pursuant to the terms of the agreement.
- (12) Contra Costa County Mosquito Abatement District (1.44%) receives its share of general levy tax increment revenue. Tax sharing payments are, by the terms of the agreement, subordinate to the payment of debt service on the Bonds.
- (13) Using the Project Area 2009-10 assessed value as an adjusted base year value and beginning in fiscal year 2010-11 taxing entities that have not previously entered into tax sharing agreements began to receive their shares of 25% of the revenue derived from the incremental difference in value between the adjusted base year value and the current year value net of housing set aside. Beginning in 2020-21 and using the Project Area assessed values for 2019-20 as a second adjusted base year value these taxing entities receive their prorated share of 21% of the incremental revenue, net of housing set-aside, derived from the difference in assessed value between the second adjusted base year value and the current year assessed value. The City of Oakley may elect to receive its share of the first tier of statutory tax sharing but may not receive any share of the second tier. Statutory tax sharing payments continue through the fiscal year within which the Project Area redevelopment plan effectiveness expires. The Agency has requested and received subordination of these payments to debt service on the Bonds.

**Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Original)**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

04/24/08

Table 2

		Total Taxable Value	Taxable Value Over Base	Gross Revenue	Section 33676 Base Year	Adjusted Gross Revenue	Housing Set-Aside	SB 2557 Charge	Payments to County per Transfer	Tax Sharing Payments	Tax	Statutory Pass-Throughs		Subordinate Tax Sharing	Net Tax Revenues
			81,016		Adjustments				Agreement		Revenues	Tier 1	Tier 2	Payments	
1	2007-08	466,963	385,947	3,916	(63)	3,854	(771)	(36)	(225)	(89)	2,733	0	0	(677)	2,056
2	2008-09	480,015	398,999	4,047	(67)	3,980	(796)	(37)	(275)	(92)	2,780	0	0	(703)	2,077
3	2009-10	489,340	408,325	4,140	(72)	4,068	(814)	(38)	(300)	(94)	2,823	0	0	(723)	2,100
4	2010-11	498,853	417,837	4,227	(76)	4,151	(830)	(38)	(297)	(96)	2,889	(19)	0	(762)	2,127
5	2011-12	508,555	427,539	4,324	(81)	4,243	(849)	(39)		(98)	3,257	(39)	0	(802)	2,455
6	2012-13	518,451	437,436	4,422	(85)	4,337	(867)	(40)		(100)	3,329	(59)	0	(844)	2,485
7	2013-14	528,546	447,530	4,522	(90)	4,432	(886)	(41)		(103)	3,402	(79)	0	(886)	2,516
8	2014-15	538,842	457,826	4,624	(95)	4,529	(906)	(42)		(105)	3,476	(100)	0	(929)	2,548
9	2015-16	549,344	468,328	4,728	(100)	4,628	(926)	(43)		(107)	3,552	(121)	0	(972)	2,580
10	2016-17	560,056	479,041	4,830	(105)	4,725	(945)	(44)		(110)	3,626	(143)	0	(1,016)	2,610
11	2017-18	570,983	489,967	4,934	(111)	4,823	(965)	(45)		(112)	3,701	(164)	0	(1,061)	2,641
12	2018-19	582,128	501,112	5,039	(116)	4,923	(985)	(46)		(114)	3,778	(187)	0	(1,106)	2,672
13	2019-20	593,496	512,480	5,146	(121)	5,025	(1,005)	(47)		(117)	3,856	(209)	0	(1,152)	2,704
14	2020-21	605,091	524,075	5,255	(127)	5,129	(1,026)	(48)		(119)	3,936	(232)	(20)	(1,219)	2,717
15	2021-22	616,918	535,902	5,367	(133)	5,234	(1,047)	(49)		(122)	4,017	(256)	(39)	(1,287)	2,730
16	2022-23	628,982	547,966	5,487	(138)	5,349	(1,070)	(50)		(125)	4,105	(280)	(60)	(1,357)	2,748
17	2023-24	641,287	560,271	5,610	(144)	5,466	(1,093)	(51)		(127)	4,194	(304)	(80)	(1,429)	2,765
18	2024-25	653,838	572,822	5,736	(150)	5,586	(1,117)	(52)		(130)	4,286	(329)	(102)	(1,502)	2,784
19	2025-26	666,640	585,624	5,864	(156)	5,708	(1,142)	(53)		(133)	4,380	(355)	(123)	(1,577)	2,802
20	2026-27	679,698	598,682	5,994	(163)	5,832	(1,166)	(54)		(136)	4,475	(381)	(145)	(1,653)	2,821
21	2027-28	693,018	612,002	6,128	(169)	5,959	(1,192)	(56)		(139)	4,572	(408)	(167)	(1,731)	2,841
22	2028-29	706,603	625,587	6,263	(175)	6,088	(1,218)	(57)		(142)	4,671	(435)	(190)	(1,811)	2,860
23	2029-30	720,461	639,445	6,402	(182)	6,220	(1,244)	(58)		(145)	4,772	(463)	(214)	(1,892)	2,881
24	2030-31	734,595	653,579	6,543	(189)	6,355	(1,271)	(59)		(149)	4,876			(1,246)	3,630
25	2031-32	749,013	667,997	6,688	(196)	6,492	(1,298)	(61)		(152)	4,981			(1,277)	3,704
26	2032-33	763,718	682,702	6,835	(203)	6,632	(1,326)	(62)		(155)	5,088			(1,309)	3,779
27	2033-34	778,718	697,702	6,985	(210)	6,775	(1,355)	(63)		(159)	5,198			(1,341)	3,856
28	2034-35	794,018	713,002	7,138	(217)	6,920	(1,384)	(65)		(162)	5,309			(1,374)	3,935
29	2035-36	809,623	728,607	7,294	(225)	7,069	(1,414)	(66)		(166)	5,423			(1,408)	4,015
30	2036-37	825,541	744,525	7,453	(232)	7,221	(1,444)	(68)		(169)	5,539			(1,443)	4,097
31	2037-38	841,777	760,761	7,615	(240)	7,375	(1,475)	(69)		(173)	5,658			(1,099)	4,559
32	2038-39	858,338	777,322	7,781	(248)	7,533	(1,507)	(71)		(177)	5,779			(1,127)	4,652
				181,336	(4,678)	176,658	(35,332)	(1,648)	(1,097)	(4,120)	134,461	(4,563)	(1,140)	(38,716)	95,745

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Original)
HISTORICAL VALUES (1)

04/24/08

Table 3

	Base Year 1989-90	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Secured (2)									
Land	80,787,366	79,411,649	85,498,726	92,284,957	101,854,307	115,107,295	138,689,998	171,671,096	193,000,595
Improvements	228,544	153,006,295	160,313,059	177,138,592	188,490,610	201,884,359	221,353,498	254,887,830	266,967,370
Personal Property	0	1,129,184	1,331,583	2,005,139	1,993,525	2,271,821	8,104,080	9,330,083	10,138,690
Exemptions	0	(5,181,768)	(5,285,392)	(5,750,334)	(5,588,905)	(9,651,180)	(10,907,273)	(11,874,536)	(10,958,838)
Total Secured	81,015,910	228,365,360	241,857,976	265,678,354	286,749,537	309,612,295	357,240,303	424,014,473	459,147,817
Unsecured									
Land	0	2,431	7,511	7,439	2,672	2,721	51,612	0	5,500
Improvements	0	3,231,148	2,887,836	3,390,588	3,127,655	3,169,280	3,124,445	3,770,543	4,215,221
Personal Property	0	3,367,832	3,874,860	3,442,384	3,763,848	3,281,505	3,261,654	3,002,531	3,636,586
Exemptions	0	0	0	0	0	0	0	(44,022)	(42,392)
Total Unsecured	0	6,601,411	6,770,207	6,840,411	6,894,175	6,453,506	6,437,711	6,729,052	7,814,915
GRAND TOTAL	81,015,910	234,966,771	248,628,183	272,518,765	293,643,712	316,065,801	363,678,014	430,743,525	466,962,732
	Incremental Value	153,950,861	167,612,273	191,502,855	212,627,802	235,049,891	282,662,104	349,727,615	385,946,822
Percentage Changes:	Incremental Value	11.16%	8.87%	14.25%	11.03%	10.55%	20.26%	23.73%	10.36%
	Secured Value	6.84%	5.91%	9.85%	7.93%	7.97%	15.38%	18.69%	8.29%
	Unsecured Value	14.22%	2.56%	1.04%	0.79%	-6.39%	-0.24%	4.53%	16.14%

(1) Source: County of Contra Costa.

(2) Secured values include state assessed non-unitary utility property.

**Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Original)**

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2007-08

04/24/08

Table 4

	Secured			Unsecured			Total		Land Use Code
	Assessed Value	Parcels	Percentage	Assessed Value	Parcels	Percentage	Assessed Value	Percentage	
1. Cypress Square S&R Associates	\$16,561,907	1	3.61%	\$0	0	0.00%	\$16,561,907	3.55%	Commercial
2. HPH Properties Limited Partnership	\$8,552,268	2	1.86%	\$0	0	0.00%	\$8,552,268	1.83%	Industrial
3. Lucky No. California Investor LLC	\$8,361,536	1	1.82%	\$0	0	0.00%	\$8,361,536	1.79%	Commercial Shopping Center
4. Western Oilfields Supply Company	\$8,243,763	2	1.80%	\$0	0	0.00%	\$8,243,763	1.77%	Light Industrial
5. Simon Oakley Town Center LLC	\$7,640,691	4	1.66%	\$0	0	0.00%	\$7,640,691	1.64%	Commercial Shopping Center
6. Shurgard California Properties	\$6,737,473	1	1.47%	\$0	0	0.00%	\$6,737,473	1.44%	Self Storage
7. WEC 98D LLC	\$5,108,109	1	1.11%	\$0	0	0.00%	\$5,108,109	1.09%	Commercial
8. SFP B Limited Partnership	\$4,137,344	3	0.90%	\$0	0	0.00%	\$4,137,344	0.89%	Commercial
9. Conoco Land Company	\$3,713,782	3	0.81%	\$0	0	0.00%	\$3,713,782	0.80%	Dry Farm
10. Farah Wells Ventures LLC	<u>\$3,012,153</u>	<u>1</u>	0.66%	<u>\$0</u>	<u>0</u>	0.00%	<u>\$3,012,153</u>	0.65%	Vacant Land - Commercial
Totals:	\$72,069,026	19		\$0	0		\$72,069,026		
Total Assessed Values:	\$459,147,817		15.70%	\$7,814,915		0.00%	\$466,962,732	15.43%	
Incremental Assessed Value:	\$378,131,907		19.06%	\$7,814,915		0.00%	\$385,946,822	18.67%	

**Oakley Redevelopment Agency
Oakley Redevelopment Project Area (Original)**

New Development

Table 5

04/24/08

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>000's omitted Total Value</u>		<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
Transferred Parcels After 1/1/2007	26	Lump Sum	<u>10,064,500</u>	<u>(6,077,000)</u>	<u>3,988</u>		0	3,988	0	0
Total Real Property			10,064,500	(6,077,000)	3,988		0	3,988	0	0

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Amendment Area)

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

04/24/08

Table 1

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Taxable Values (1)										
Real Property (2)	18,996	19,376	19,764	20,159	20,562	20,974	21,393	21,821	22,257	22,702
Personal Property (3)	<u>16,855</u>									
Total Projected Value	35,851	36,231	36,618	37,014	37,417	37,828	38,248	38,675	39,112	39,557
Taxable Value over Base	21,551	14,300	14,680	15,067	15,462	15,866	16,277	16,696	17,124	18,006
Gross Tax Increment Revenue (4)	145	148	152	156	160	164	168	173	177	181
Unitary Tax Revenue	<u>0</u>									
Gross Revenues	145	149	153	156	160	164	169	173	177	181
LESS:										
SB 2557 Admin. Fee (5)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)
Housing Set Aside Requirement (6)	<u>(29)</u>	<u>(30)</u>	<u>(31)</u>	<u>(31)</u>	<u>(32)</u>	<u>(33)</u>	<u>(34)</u>	<u>(35)</u>	<u>(35)</u>	<u>(36)</u>
Tax Revenues	115	118	121	124	127	130	133	137	140	144
Statutory Pass Throughs										
Tier 1 (7)	(29)	(30)	(31)	(31)	(32)	(33)	(34)	(35)	(35)	(36)
Tier 2 (7)	0	0	0	0	0	0	(1)	(1)	(2)	(3)
Tier 3 (7)	<u>0</u>									
Net Tax Revenues	86	88	90	92	95	97	99	101	102	104

- (1) Taxable values as reported by Contra Costa County.
- (2) Real property consists of land and improvements. Real Property value is increased for inflation at 2% annually.
- (3) Personal property is held constant at 2007-08 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters prior to 1988. The future tax rate is assumed to decline to \$1 per \$100 of taxable assessed value after maturity of voter approved debt. The override tax rate levied by the Contra Costa Water District on land value only is assumed to remain at 0.0039% through 2009-10 and is eliminated thereafter.
- (5) County Administration charges are actual for 2007-08 and estimated for future years at 0.93% of Gross Revenue.
- (6) Housing Set Aside calculated at 20% of Adjusted Gross Revenue. The Agency pays 14.59% of the annual debt service on it's 2003 Bonds from the Housing Set-Aside amount through 2028-29.
- (7) Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The City is considered a taxing entity and may opt to receive its share of the first tier of this tax sharing requirement. The City may not receive any portion of the tier 2 and tier 3 tax sharing payments.

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Amendment Area)

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

04/24/08

Table 2

		Taxable Value		Gross Tax Revenue	Housing Set-Aside	SB 2557 Charge	Tax Revenues	Statutory Pass-Throughs			Net Tax Revenues
		Total Taxable Value	Over Base 21,551					Tier 1	Tier 2	Tier 3	
1	2007-08	35,851	14,300	145	(29)	(1)	115	(29)	0	0	86
2	2008-09	36,231	14,680	149	(30)	(1)	118	(30)	0	0	88
3	2009-10	36,618	15,067	153	(31)	(1)	121	(31)	0	0	90
4	2010-11	37,014	15,462	156	(31)	(1)	124	(31)	0	0	92
5	2011-12	37,417	15,866	160	(32)	(1)	127	(32)	0	0	95
6	2012-13	37,828	16,277	164	(33)	(2)	130	(33)	0	0	97
7	2013-14	38,248	16,696	169	(34)	(2)	133	(34)	(1)	0	99
8	2014-15	38,675	17,124	173	(35)	(2)	137	(35)	(1)	0	101
9	2015-16	39,112	17,561	177	(35)	(2)	140	(35)	(2)	0	102
10	2016-17	39,557	18,006	181	(36)	(2)	144	(36)	(3)	0	104
11	2017-18	40,011	18,460	186	(37)	(2)	147	(37)	(4)	0	106
12	2018-19	40,474	18,923	190	(38)	(2)	150	(38)	(4)	0	108
13	2019-20	40,947	19,395	195	(39)	(2)	154	(39)	(5)	0	110
14	2020-21	41,428	19,877	199	(40)	(2)	158	(40)	(6)	0	112
15	2021-22	41,920	20,369	204	(41)	(2)	161	(41)	(7)	0	114
16	2022-23	42,421	20,870	209	(42)	(2)	165	(42)	(8)	0	116
17	2023-24	42,933	21,381	214	(43)	(2)	169	(43)	(9)	0	118
18	2024-25	43,454	21,903	219	(44)	(2)	173	(44)	(9)	0	120
19	2025-26	43,986	22,435	224	(45)	(2)	177	(45)	(10)	0	122
20	2026-27	44,529	22,978	230	(46)	(2)	182	(46)	(11)	0	124
21	2027-28	45,082	23,531	235	(47)	(2)	186	(47)	(12)	0	127
22	2028-29	45,647	24,096	241	(48)	(2)	191	(48)	(13)	0	129
23	2029-30	46,223	24,671	247	(49)	(2)	195	(49)	(14)	0	132
24	2030-31	46,810	25,259	253	(51)	(2)	200	(51)	(15)	0	134
25	2031-32	47,409	25,858	259	(52)	(2)	204	(52)	(16)	0	137
26	2032-33	48,020	26,469	265	(53)	(2)	209	(53)	(17)	0	139
27	2033-34	48,643	27,092	271	(54)	(3)	214	(54)	(18)	(1)	141
28	2034-35	49,279	27,728	277	(55)	(3)	219	(55)	(19)	(1)	143
29	2035-36	49,928	28,377	284	(57)	(3)	224	(57)	(20)	(2)	145
30	2036-37	50,589	29,038	290	(58)	(3)	230	(58)	(21)	(3)	147
31	2037-38	51,264	29,713	297	(59)	(3)	235	(59)	(23)	(4)	149
32	2038-39	51,952	30,401	304	(61)	(3)	240	(61)	(24)	(4)	151
33	2039-40	52,654	31,103	311	(62)	(3)	246	(62)	(25)	(5)	154
34	2040-41	53,370	31,819	318	(64)	(3)	252	(64)	(26)	(6)	156
35	2041-42	54,100	32,549	325	(65)	(3)	257	(65)	(27)	(7)	158
36	2042-43	54,845	33,294	333	(67)	(3)	263	(67)	(29)	(8)	160
37	2043-44	55,605	34,054	341	(68)	(3)	269	(68)	(30)	(8)	163
38	2044-45	56,380	34,829	348	(70)	(3)	275	(70)	(31)	(9)	165
39	2045-46	57,171	35,619	356	(71)	(3)	282	(71)	(32)	(10)	168
				9,253	(1,851)	(86)	7,317	(1,851)	(495)	(69)	4,902

Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Amendment Area)

04/24/08

HISTORICAL VALUES (1)

Table 3

	Base Year 2001-02	2003-04	2004-05	2005-06	2006-07	2007-08
<u>Secured (2)</u>						
Land	8,239,186	8,518,466	9,551,728	12,499,370	12,838,496	13,022,070
Impts	4,683,299	4,605,632	4,582,209	4,705,567	4,925,748	4,947,863
Pers Prop	0	115,730	203,168	122,070	80,790	45,355
Exemptions	0	(356,663)	(363,321)	(370,587)	(377,998)	(385,557)
Total Secured	12,922,485	12,883,165	13,973,784	16,956,420	17,467,036	17,629,731
<u>Unsecured</u>						
Land	0	12,571	12,804	12,821	7,143	7,286
Impts	0	0	1,257,533	1,297,002	1,322,749	1,404,768
Pers Prop	8,628,736	14,102,102	15,173,087	15,454,624	16,730,649	16,809,171
Exemptions	0	0	0	0	0	0
Total Unsecured	8,628,736	14,114,673	16,443,424	16,764,447	18,060,541	18,221,225
GRAND TOTAL	21,551,221	26,997,838	30,417,208	33,720,867	35,527,577	35,850,956
	Incremental Value	5,446,617	8,865,987	12,169,646	13,976,356	14,299,735
Percentage Changes:	Incremental Value	25.27%	62.78%	37.26%	14.85%	2.31%
	Secured Value	-0.30%	8.47%	21.34%	3.01%	0.93%
	Unsecured Value	63.58%	16.50%	1.95%	7.73%	0.89%

(1) Source: County of Contra Costa.

(2) Secured values include state assessed non-unitary utility property.

**Redevelopment Agency of the City of Oakley
Oakley Redevelopment Project Area (Amendment Area)**

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2007-08

Table 4

04/24/08

	Secured			Unsecured			Total		Use Code
	Assessed Value	Parcels	Percentage	Assessed Value	Parcels	Percentage	Assessed Value	Percentage	
1. El Du Pont De Nemours & Company	\$3,943,785	5	22.37%	\$117,589	2	0.65%	\$4,061,374	11.33%	Industrial
2. Foundation Constructors Inc.	\$0	0	0.00%	\$3,454,088	1	18.96%	\$3,454,088	9.63%	Unsecured
3. Clyde Miles Development LLC	\$2,633,980	1	14.94%	\$0	0	0.00%	\$2,633,980	7.35%	Irrigated Orchards/Crops
4. David A. Biron Corporation	\$1,653,957	2	9.38%	\$612,500	1	3.36%	\$2,266,457	6.32%	Commercial Boats Harbors/Unsecured
5. Oxfoot Associates LLC	\$1,931,586	3	10.96%	\$0	0	0.00%	\$1,931,586	5.39%	Industrial
6. TAPJM	\$1,462,092	1	8.29%	\$0	0	0.00%	\$1,462,092	4.08%	Commercial
7. Margaret Louise Lauritzen Trust	\$1,426,311	3	8.09%	\$11,765	3	0.06%	\$1,438,076	4.01%	Commercial Boats Harbors/Unsecured
8. Key Lease Corporation	\$0	0	0.00%	\$1,066,384	2	5.85%	\$1,066,384	2.97%	Unsecured
9. Delta Family Bible Church	\$1,056,154	2	5.99%	\$0	0	0.00%	\$1,056,154	2.95%	Dry Farm/Rural Residential
10. Ramon & Maria N. Hernandez	<u>\$884,340</u>	1	5.02%	\$0	0	0.00%	\$884,340	2.47%	Dry Farm/Rural Residential
Totals:	\$14,992,205	18		\$5,262,326	9		\$20,254,531		
Total Assessed Values:	\$17,629,731		85.04%	\$18,221,225		28.88%	\$35,850,956	56.50%	
Incremental Assessed Value:	\$4,707,246		318.49%	\$9,592,489		54.86%	\$14,299,735	141.64%	

Oakley Redevelopment Agency
Redevelopment Amendment Area
 New Development
 Table 5

04/24/08

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>000's omitted Total Value</u>		<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
	0	\$0	0	0	0		0	0	0	0
Transferred Parcels After 1/1/2007	0	Lump Sum	0	0	0		0	0	0	0
Total Real Property			0	0	0		0	0	0	0

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of May 1, 2008 (the "Disclosure Agreement") is executed and delivered by the Oakley Redevelopment Agency (the "Agency") and NBS Government Financing Group (the "Dissemination Agent"), in connection with the issuance by the Agency of its \$_____ aggregate principal amount of Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area) (the "Bonds"). The Bonds are issued pursuant to a Trust Indenture, dated as of May 1, 2008 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association (the "Trustee"). The proceeds of the Bonds are being used by the Agency to provide funds to finance redevelopment activity within the Oakley Redevelopment Project Area. In connection therewith, the Agency covenants and agrees as follows:

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

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

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" shall mean the Executive Director of the Agency or his or her designee, or such other officer or employee as the Agency shall designate in writing and which has filed with the Dissemination Agent a written acceptance of such designation.

"Dissemination Agent" shall mean the Dissemination Agent, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Dissemination Agent a written acceptance of such designation.

"Listed Events" shall mean 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. The National Repositories currently recognized by the Securities and Exchange Commission are currently set forth in the SEC website located at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" means the Official Statement, dated _____, 2008, relating to the Bonds.

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

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

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's fiscal year (which currently ends June 30th), commencing with the report for the [2007/08] Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five (5) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the Agency, and such information is available to it, file a report with the Agency 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.

(d) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at www.disclosureusa.org, unless the United States Securities and Exchange Commission ("SEC") has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004, or such other central post office approved by the SEC.

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

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) For Annual Reports, the following information contained in the final Official Statement shall be revised to reflect the prior fiscal year's actual results: (a) assessed values of the Project Area as set forth in Table 2 of the Official Statement captioned "TOTAL ASSESSED VALUATION;" (b) list of top ten largest local secured property taxpayers within the Project Area; (c) calculation of the coverage ratio for such fiscal year, including any Parity Debt, calculated in the same manner as provided in Table 8 of the Official Statement; and (d) a description of outstanding indebtedness payable from Tax Revenues issued during such fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or uncheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative of the

Agency, inform such person of the event, and request that the Agency promptly notify the Dissemination Agent in writing whether or not to report the event. For purposes of the Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by a responsible officer at the corporate trust office of the Dissemination Agent with regular responsibility for providing Dissemination Agent services for the Bonds. Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, within five (5) Business Days, determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(d) 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 Municipal Securities Rulemaking Board and each State Repository with a copy to the Agency. 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.

Section 6. Termination of Reporting Obligation. The Agency's obligations 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(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NBS Government Financing Group. The Dissemination Agent may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Dissemination Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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 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 to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the 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. The Dissemination Agent 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, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder,

including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders, or any other party. Other than in the case of negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not 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 any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

OAKLEY REDEVELOPMENT AGENCY

By: _____
Executive Director

**NBS GOVERNMENT FINANCING GROUP, as
Dissemination Agent**

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE
ANNUAL REPORT**

Name of Issuer: Oakley Redevelopment Agency

Name of Bond Issue: Tax Allocation Bonds, Series 2008A (Oakley Redevelopment Project Area)

Date of Issuance: _____, 2008

NOTICE IS HEREBY GIVEN that the Oakley Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of May 1, 2008, between the Agency and NBS Government Financing Group. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

**NBS GOVERNMENT FINANCING GROUP, as
Dissemination Agent**

By: _____

cc: Agency

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APPENDIX G

BOOK-ENTRY PROVISIONS

The information concerning DTC set forth herein has been supplied by DTC, and the Agency assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Indenture, DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. 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 corporation" 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 transfer 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 and 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 of "AAA." The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting

on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Notices and Other Communications. 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. THE DISTRICT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

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

Voting Rights. 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 an 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to 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 on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. 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 nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE TRUSTEE AND THE AGENCY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR

THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

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

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

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

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APPENDIX H
SPECIMEN INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

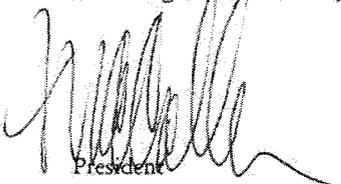
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.


President




Secretary

Secretary

Authorized Representative



Authorized Officer of Insurance Trustee

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No. 2B-0012 (1/01)

Endorsement

Policy for:

Attached to and forming part of Policy No.:

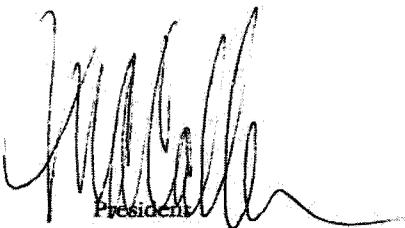
Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In witness whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation


President





Secretary

Authorized Representative

