

*In the opinion of the Law Offices of Cameron A. Weist, Scotts Valley, 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. See “TAX MATTERS” herein.*



**\$12,315,000**  
**RIVERBANK REDEVELOPMENT AGENCY**  
 (STANISLAUS COUNTY, CALIFORNIA)  
**RIVERBANK REINVESTMENT PROJECT**  
**TAX ALLOCATION BONDS**  
**(2007 SERIES A)**

**\$3,120,000**  
**RIVERBANK REDEVELOPMENT AGENCY**  
 (STANISLAUS COUNTY, CALIFORNIA)  
**RIVERBANK REINVESTMENT PROJECT**  
**TAX ALLOCATION HOUSING SET-ASIDE BONDS**  
**(2007 SERIES B)**

**Dated: Date of Delivery**

**Due: August 1, as set forth on the inside front cover**

The Riverbank Redevelopment Agency (the “Agency”) is issuing its \$12,315,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A) (the “Series A Bonds”), and its \$3,120,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Housing Set-Aside Bonds (2007 Series B) (the “Series B Bonds” and together with the Series A Bond, the “Bonds”). Each series of Bonds will be issued pursuant to a separate Indenture of Trust, each dated as of February 1, 2007, by and between the Agency and U.S. Bank National Association (the “Trustee”). The Bonds are being issued for sale to the Riverbank Public Financing Authority (the “Authority”). The Authority will resell the Bonds to the Underwriter.

The Series A Bonds are payable from and secured by the Tax Revenues (as defined herein) and certain funds and accounts held under the Series A Indenture (as defined herein). The Series B Bonds are payable from and secured by the Housing Set-Aside Revenues (as defined herein) and certain funds and accounts held under the Series B Indenture (as defined herein). See “SECURITY FOR THE SERIES A BONDS” and “SECURITY FOR THE SERIES B BONDS” herein.

The Agency will use a portion of the proceeds of the Series A Bonds to finance certain non-housing related redevelopment activities within the Agency’s Riverbank Reinvestment Project (the “Project Area”), to fund capitalized interest, to fund a reserve account, and to pay costs of issuance associated with the issuance and sale of the Series A Bonds. The Agency will use a portion of the proceeds of the Series B Bonds to finance certain housing related redevelopment activities of the Agency, to fund capitalized interest, to fund a reserve account, and to pay costs of issuance associated with the issuance and sale of the Series B Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds will be delivered as fully registered bonds, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive physical certificates representing their interest in the Bonds. For so long as the Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal and interest on the Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds. See “THE BONDS – Book-Entry Only System” herein.

The principal of, premium if any, and semiannual interest on the Bonds will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds. Interest on the Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2007.

**The Bonds are subject to optional redemption and mandatory redemption as further described herein.**

This cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors must read the entire Official Statement, including the section entitled “RISK FACTORS AND LIMITATIONS ON TAX REVENUES,” 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.

**THE BONDS ARE NOT A DEBT OF THE CITY OF RIVERBANK, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, 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 TAX REVENUES AND HOUSING SET-ASIDE REVENUES, AS THE CASE MAY BE, ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE RESPECTIVE INDENTURES. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY OR THE CITY, NOR ANY PERSONS EXECUTING THE BONDS, ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.**

This financing was structured by the following firm serving as financial advisor to the Agency:



*The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to legality by Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel, and as to certain matters regarding disclosure of the transaction, as Disclosure Counsel. Certain matters will be passed upon for the Agency by the City Attorney City of Riverbank, California. It is anticipated that the Bonds will be available for delivery in book-entry form on or about February 21, 2007.*



Dated: February 6, 2007

**DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS**

**\$12,315,000  
RIVERBANK REDEVELOPMENT AGENCY  
(STANISLAUS COUNTY, CALIFORNIA)  
RIVERBANK REINVESTMENT PROJECT  
TAX ALLOCATION BONDS  
(2007 SERIES A)**

**MATURITY SCHEDULE  
(Base CUSIP\* No. 768565)**

**\$3,080,000 Serial Maturities**

| <u>Maturity Date (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield†</u> | <u>CUSIP*</u> | <u>Maturity Date (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield†</u> | <u>CUSIP*</u> |
|---------------------------------|-------------------------|----------------------|---------------|---------------|---------------------------------|-------------------------|----------------------|---------------|---------------|
| 2010                            | 230,000                 | 4.000                | 4.000         | AA1           | 2016                            | 290,000                 | 4.250                | 4.450         | AG8           |
| 2011                            | 235,000                 | 3.900                | 4.100         | AB9           | 2017                            | 300,000                 | 4.300                | 4.500         | AH6           |
| 2012                            | 245,000                 | 4.000                | 4.200         | AC7           | 2018                            | 315,000                 | 4.300                | 4.550         | AJ2           |
| 2013                            | 255,000                 | 4.100                | 4.300         | AD5           | 2019                            | 330,000                 | 4.400                | 4.600         | AK9           |
| 2014                            | 265,000                 | 4.125                | 4.350         | AE3           | 2020                            | 340,000                 | 4.400                | 4.620         | AL7           |
| 2015                            | 275,000                 | 4.200                | 4.400         | AF0           |                                 |                         |                      |               |               |

**\$2,910,000 5.000% Term Bonds Due August 1, 2027 – Yield† 4.630% CUSIP\* No. AM5**  
**\$2,780,000 5.000% Term Bonds Due August 1, 2032 – Yield† 4.670% CUSIP\* No. AN3**  
**\$3,545,000 5.000% Term Bonds Due August 1, 2037 – Yield† 4.700% CUSIP\* No. AP8**

**\$3,120,000  
RIVERBANK REDEVELOPMENT AGENCY  
(STANISLAUS COUNTY, CALIFORNIA)  
RIVERBANK REINVESTMENT PROJECT  
TAX ALLOCATION HOUSING SET-ASIDE BONDS  
(2007 SERIES B)**

**MATURITY SCHEDULE  
(Base CUSIP\* No. 768565)**

**\$795,000 Serial Maturities**

| <u>Maturity Date (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield†</u> | <u>CUSIP*</u> | <u>Maturity Date (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield†</u> | <u>CUSIP*</u> |
|---------------------------------|-------------------------|----------------------|---------------|---------------|---------------------------------|-------------------------|----------------------|---------------|---------------|
| 2010                            | 60,000                  | 3.800                | 4.000         | AQ6           | 2016                            | 75,000                  | 4.250                | 4.450         | AW3           |
| 2011                            | 60,000                  | 3.900                | 4.100         | AR4           | 2017                            | 75,000                  | 4.300                | 4.500         | AX1           |
| 2012                            | 65,000                  | 4.000                | 4.200         | AS2           | 2018                            | 80,000                  | 4.300                | 4.550         | AY9           |
| 2013                            | 65,000                  | 4.100                | 4.300         | AT0           | 2019                            | 85,000                  | 4.400                | 4.600         | AZ6           |
| 2014                            | 70,000                  | 4.125                | 4.350         | AU7           | 2020                            | 90,000                  | 4.400                | 4.620         | BA0           |
| 2015                            | 70,000                  | 4.200                | 4.400         | AV5           |                                 |                         |                      |               |               |

**\$735,000 4.750% Term Bonds Due August 1, 2027 – Yield 4.750% CUSIP\* No. BB8**  
**\$700,000 5.000% Term Bonds Due August 1, 2032 – Yield† 4.670% CUSIP\* No. BC6**  
**\$890,000 5.000% Term Bonds Due August 1, 2037 – Yield† 4.700% CUSIP\* No. BD4**

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†Priced to a par call on August 1, 2017

**RIVERBANK REDEVELOPMENT AGENCY**  
**Riverbank, California**

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**BOARD OF DIRECTORS**

Chris Crifasi, *Mayor/Chair*  
Kathy Anaya, *Vice Mayor/Vice Chair*  
Sandra Benitez, *Council Member/Board Member*  
Virginia Madueño, *Council Member/Board Member*  
Dave White, *Council Member/Board Member*

**AGENCY AND CITY STAFF**

Richard P. Holmer, *Executive Director and City Manager*  
Margaret Silveira, *Housing and Economic Development Director*  
Marisela Hernandez, *City Finance Director*  
Tim Ogden, *Economic Development Manager*  
J.D. Hightower, *Community Development Director*  
Thomas N. Hallinan, Esq., *Agency Counsel and City Attorney*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Law Offices of Cameron A. Weist  
*Scotts Valley, California*

**Financial Advisor**

Northcross, Hill & Ach  
*San Rafael, California*

**Underwriter**

E.J. De La Rosa & Co., Inc.  
*San Francisco, California*

**Trustee**

U.S. Bank National Association  
*San Francisco, California*

**Fiscal Consultant**

Fraser & Associates  
*Roseville, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

*Use of Official Statement.* This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

*Estimates and Forecasts.* When used in this Official Statement and in any continuing disclosure by the Agency or the City, in any press release and in any oral statement made with the approval of an authorized officer of the Agency or the City, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

*Limit of Offering.* No dealer, broker, salesperson or other person has been authorized by the Agency, the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor may 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.

*Involvement of Underwriter.* The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

*Official Statement Speaks Only as of its Date.* The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the City since the date hereof.

*Document Summaries.* All summaries of the Series A Indenture, the Series B Indenture or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

*No Registration or Qualification.* THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

# TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| INTRODUCTION .....                                    | 1           |
| GENERAL .....   | 1           |
| THE CITY .....  | 2           |
| THE AGENCY .....                                      | 2           |
| THE AUTHORITY .....                                   | 2           |
| THE REDEVELOPMENT PLAN AND PROJECT AREA .....         | 3           |
| DESCRIPTION OF THE BONDS .....                        | 3           |
| SECURITY FOR THE SERIES A BONDS .....                 | 3           |
| SECURITY FOR THE SERIES B BONDS .....                 | 4           |
| THE BONDS ARE SPECIAL OBLIGATIONS .....               | 5           |
| THE BONDS ARE SUBJECT TO RISK .....                   | 5           |
| FORWARD-LOOKING STATEMENTS .....                      | 5           |
| AVAILABLE INFORMATION AND CONTINUING DISCLOSURE ..... | 6           |
| SUMMARY OF TERMS .....                                | 6           |
| THE SERIES A BONDS FINANCING PLAN .....               | 6           |
| IN GENERAL .....                                      | 6           |
| REDEVELOPMENT PROJECTS .....                          | 6           |
| SERIES A BONDS SOURCES AND USES OF FUNDS .....        | 7           |
| SERIES A BONDS DEBT SERVICE SCHEDULE .....            | 8           |
| THE SERIES B BONDS FINANCING PLAN .....               | 9           |
| IN GENERAL .....                                      | 9           |
| LOW AND MODERATE INCOME HOUSING PROJECT .....         | 9           |
| HOUSING SET-ASIDE REVENUES .....                      | 9           |
| SERIES B BONDS SOURCES AND USES OF FUNDS .....        | 10          |
| SERIES B BONDS DEBT SERVICE SCHEDULE .....            | 11          |
| THE SERIES A BONDS .....                              | 12          |
| AUTHORITY FOR ISSUANCE .....                          | 12          |
| DESCRIPTION OF THE SERIES A BONDS .....               | 12          |
| REDEMPTION .....                                      | 12          |
| Optional Redemption .....                             | 12          |
| Sinking Account Redemption .....                      | 13          |
| Purchase in Lieu of Redemption .....                  | 14          |
| Notice of Redemption .....                            | 14          |
| BOOK-ENTRY SYSTEM .....                               | 15          |
| PARITY DEBT .....                                     | 16          |
| Parity Bonds .....                                    | 16          |
| Subordinate Debt .....                                | 17          |
| Hedged Bonds .....                                    | 17          |
| THE SERIES B BONDS .....                              | 18          |
| AUTHORITY FOR ISSUANCE .....                          | 18          |
| DESCRIPTION OF THE SERIES B BONDS .....               | 18          |
| REDEMPTION .....                                      | 19          |
| Optional Redemption .....                             | 19          |
| Sinking Account Redemption .....                      | 19          |

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Purchase in Lieu of Redemption .....               | 21          |
| Notice of Redemption .....                         | 21          |
| BOOK-ENTRY SYSTEM .....                            | 22          |
| PARITY DEBT.....                                   | 22          |
| Parity Bonds.....                                  | 22          |
| Subordinate Debt.....                              | 24          |
| Hedged Bonds.....                                  | 24          |
| SECURITY FOR THE SERIES A BONDS.....               | 25          |
| GENERAL.....                                       | 25          |
| TAX REVENUES .....                                 | 25          |
| RESERVE ACCOUNT.....                               | 25          |
| LIMITED OBLIGATIONS.....                           | 26          |
| SECURITY FOR THE SERIES B BONDS .....              | 26          |
| GENERAL.....                                       | 26          |
| Low and Moderate Income Housing Requirements.....  | 26          |
| Pledge of Housing Set-Aside Revenues.....          | 27          |
| HOUSING SET-ASIDE REVENUES.....                    | 27          |
| RESERVE ACCOUNT.....                               | 27          |
| LIMITED OBLIGATIONS.....                           | 28          |
| RISK FACTORS AND LIMITATIONS ON TAX REVENUES ..... | 28          |
| TAX REVENUES .....                                 | 28          |
| ESTIMATED REVENUES .....                           | 29          |
| RISKS TO REAL ESTATE MARKET .....                  | 29          |
| CHANGES IN THE REDEVELOPMENT LAW .....             | 29          |
| DEVELOPMENT RISKS .....                            | 30          |
| PARITY DEBT.....                                   | 30          |
| CURRENT LITIGATION .....                           | 30          |
| CHANGE IN LAW.....                                 | 31          |
| REDUCTION IN INFLATIONARY RATE.....                | 31          |
| LEVY AND COLLECTION.....                           | 31          |
| NATURAL DISASTERS; SEISMIC HAZARDS .....           | 31          |
| HAZARDOUS SUBSTANCES .....                         | 32          |
| ASSESSMENT APPEALS.....                            | 32          |
| STATE BUDGET.....                                  | 32          |
| DIRECT AND OVERLAPPING INDEBTEDNESS .....          | 34          |
| ECONOMIC RISKS .....                               | 34          |
| BANKRUPTCY AND FORECLOSURE.....                    | 34          |
| LOSS OF TAX EXEMPTION .....                        | 34          |
| PROPERTY TAXATION IN CALIFORNIA .....              | 35          |
| PROPERTY TAX COLLECTION PROCEDURES .....           | 35          |
| Classification.....                                | 35          |
| Collections.....                                   | 35          |
| Penalty.....                                       | 35          |
| Delinquencies .....                                | 35          |
| Supplemental Assessments .....                     | 36          |

## TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| PROPERTY TAX AND SPENDING LIMITATIONS .....                     | 36          |
| Article XIII A of the California Constitution.....              | 36          |
| Article XIII B of the California Constitution.....              | 37          |
| Proposition 218.....  | 37          |
| ADDITIONAL LIMITATION ON TAX REVENUES.....                      | 38          |
| IMPLEMENTING LEGISLATION.....                                   | 38          |
| UNITARY PROPERTY.....   | 38          |
| APPEALS OF ASSESSED VALUES .....                                | 39          |
| THE AGENCY .....  | 40          |
| GENERAL.....  | 40          |
| AGENCY MEMBERS .....  | 40          |
| AGENCY POWERS .....   | 41          |
| THE STATUTORY PASS-THROUGHS.....                                | 41          |
| STATEMENT OF DIRECT AND OVERLAPPING DEBT .....                  | 42          |
| HOUSING SET-ASIDE .....   | 44          |
| FACTORS AFFECTING REDEVELOPMENT AGENCIES GENERALLY .....        | 44          |
| THE REDEVELOPMENT PLAN.....                                     | 45          |
| GENERAL.....  | 45          |
| LIMITATIONS AND REQUIREMENTS OF THE REDEVELOPMENT PLAN .....    | 46          |
| LOW AND MODERATE INCOME HOUSING PROVISIONS .....                | 46          |
| ALLEVIATION OF FINANCIAL BURDEN TO TAXING ENTITIES .....        | 47          |
| TAX RATES.....  | 47          |
| THE PROJECT AREA .....  | 47          |
| GENERAL.....  | 47          |
| MAJOR PROPERTY OWNERS .....                                     | 48          |
| ASSESSED VALUATION.....   | 49          |
| SECURED TAX LEVY AND COLLECTIONS .....                          | 50          |
| ASSESSMENT APPEALS.....   | 50          |
| PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE..... | 51          |
| IN GENERAL .....  | 51          |
| ESTIMATED DEBT SERVICE COVERAGE FOR THE SERIES A BONDS.....     | 51          |
| ESTIMATED DEBT SERVICE COVERAGE FOR THE SERIES A BONDS.....     | 52          |

## TABLE OF CONTENTS

|                            | <u>Page</u> |
|----------------------------|-------------|
| THE AUTHORITY .....        | 54          |
| TAX MATTERS.....           | 54          |
| CERTAIN LEGAL MATTERS..... | 55          |
| LITIGATION.....            | 55          |
| CONTINUING DISCLOSURE..... | 55          |
| FINANCIAL ADVISOR .....    | 55          |
| PROFESSIONAL FEES .....    | 56          |
| RATINGS .....              | 56          |
| UNDERWRITING .....         | 56          |
| MISCELLANEOUS .....        | 57          |

### APPENDICES

|  |     |
|--|-----|
| APPENDIX A: SUMMARY OF THE INDENTURES.....   | A-1 |
| APPENDIX B: GENERAL INFORMATION REGARDING THE CITY OF RIVERBANK<br>AND SURROUNDING AREA..... | B-1 |
| APPENDIX C: FISCAL CONSULTANT'S REPORT.....  | C-1 |
| APPENDIX D: FORM OF OPINION OF BOND COUNSEL.....   | D-1 |
| APPENDIX E: FORM OF CONTINUING DISCLOSURE CERTIFICATE.....                                   | E-1 |
| APPENDIX F: BOOK ENTRY PROVISIONS.....   | F-1 |



## OFFICIAL STATEMENT

**\$12,315,000**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(STANISLAUS COUNTY, CALIFORNIA)**  
**RIVERBANK REINVESTMENT PROJECT**  
**TAX ALLOCATION BONDS**  
**(2007 SERIES A)**

**\$3,120,000**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(STANISLAUS COUNTY, CALIFORNIA)**  
**RIVERBANK REINVESTMENT PROJECT**  
**TAX ALLOCATION HOUSING SET-ASIDE BONDS**  
**(2007 SERIES B)**

## INTRODUCTION

### General

This Official Statement is provided to furnish information in connection with the sale by the Riverbank Redevelopment Agency (the “Agency”) of its \$12,315,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A) (the “Series A Bonds”), and its \$3,120,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Housing Set-Aside Bonds (2007 Series B) (the “Series B Bonds” and together with the Series A Bond, the “Bonds”).

The Bonds are being issued in accordance with the Constitution and laws of the State of California (the “State”), including the Community Redevelopment Law, being Part 1 of Division 24 of the Health and Safety Code of the State of California (the “Act”). The Series A Bonds are issued pursuant to an Indenture of Trust (the “Series A Indenture”), dated as of February 1, 2007, between the Agency and U.S. Bank National Association, San Francisco (the “Series A Trustee”). The Series B Bonds are issued pursuant to an Indenture of Trust (the “Series B Indenture”), dated as of February 1, 2007, between the Agency and U.S. Bank National Association, San Francisco (the “Series B Trustee”). See “APPENDIX A – SUMMARY OF THE INDENTURES.”

The Agency will use a portion of the proceeds of the Series A Bonds to finance certain non-housing related redevelopment activities within the Agency’s Riverbank Reinvestment Project (the “Project Area”), to fund capitalized interest, to fund a reserve account, and to pay costs of issuance associated with the issuance and sale of the Series A Bonds. The Agency will use a portion of the proceeds of the Series B Bonds to finance certain housing related redevelopment activities of the Agency, to fund capitalized interest, to fund a reserve account, and to pay costs of issuance associated with the issuance and sale of the Series B Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Series A Bonds are payable from and secured by the Tax Revenues (as defined herein) and certain funds and accounts held under the Series A Indenture. The Series B Bonds are payable from and secured by the Housing Set-Aside Revenues (as defined herein) and certain funds and accounts held under the Series B Indenture. See “SECURITY FOR THE SERIES A BONDS” and “SECURITY FOR THE SERIES B BONDS” herein.

The Bonds will be sold to the Riverbank Public Financing Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6484) of the California Government Code (the “JPA Law”). The Bonds purchased by the Authority will be resold immediately to E. J. De La Rosa & Co., Inc. (the “Underwriter”).

Terms used in this Official Statement and not otherwise defined shall have the meaning given to them in “APPENDIX A – SUMMARY OF THE INDENTURES” attached hereto.

### **The City**

The City of Riverbank (the “City”) is centrally-located in the heart of San Joaquin Valley, just a short drive to the Bay area, Lake Tahoe and Yosemite. The City is 28 miles south of the Port of Stockton, 8 miles east of Modesto on State Highway 108, east of Freeway 99. The City can be accessed by major truck routes and at the Burlington Northern-Santa Fe Railroad. The City is a general law city incorporated on August 23, 1922 and provides for a Council-Manager form of government made up of five City Council members, and the position is rotated each calendar year. The City encompasses an area of approximately 3.89 square miles and the population is estimated by the U.S. Census Bureau to be approximately 21,215. See “APPENDIX B – GENERAL INFORMATION REGARDING THE CITY OF RIVERBANK AND SURROUNDING AREA” herein.

### **The Agency**

The Agency was activated on August 14, 2004 by the City Council of the City with the adaptation of Ordinance No. 2003-018, pursuant to the Law. The five members of the City Council serve as the governing body of the Agency, and exercise all the right, powers, duties and privileges of the Agency. See “THE AGENCY” herein.

### **The Authority**

The Riverbank Public Financing Authority is a joint of powers authority formed by its members, the City and Riverbank Redevelopment Agency. The Authority was established pursuant to that certain Joint Exercise of Powers Agreement dated July 9, 1990, by and between the City and the Redevelopment Agency (the “JPA Agreement”). Such Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The Authority is governed by a five-member Board of Directors (the “Board”), which consists of the members of the City Council of the City of Riverbank. The Mayor acts as Chair of the Authority, the City manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Authority.

The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell

such bonds to public or private purchasers at public or negotiated sale. See “THE AUTHORITY” herein.

### **The Redevelopment Plan and Project Area**

The Redevelopment Plan for the Riverbank Reinvestment Project (the “Redevelopment Plan”) was approved by Ordinance No. 2005-010 adopted by the City Council of the City on June 27, 2005. The Project Area consists of approximately 1,230 acres or about 47% of the total land area within the City limits. The Project Area includes the Riverbank downtown and other commercial, industrial and residential land uses. Residential uses comprise approximately 529 acres of land; commercial uses 60 acres; and industrial uses 129 acres. The balance of the acreage is represented by public uses, streets, mixed use development and vacant land. According to the Fiscal Consultant’s Report attached hereto as Appendix C, the total net assessed valuation of the Project Area for Fiscal Year 2006-07 is \$559,618,839, an increase of approximately \$128,037,564 (29.73%) since the adjusted base year (2004-05) assessed valuation of \$431,581,275. See “THE REDEVELOPMENT PLAN,” “THE PROJECT AREA” and “APPENDIX C – FISCAL CONSULTANT’S REPORT” herein.

### **Description of the Bonds**

*Payments.* Interest on the Bonds is payable semi-annually on each August 1 and February 1, commencing August 1, 2007. Interest and principal on the Bonds are payable by the Trustee to DTC (so long as DTC or its nominee remains the registered owner of the Bonds) which will be responsible for remitting such principal and interest to the DTC Participants which will in turn be responsible for remitting such principal and interest to the Beneficial Owners of the Bonds.

*Denominations.* The Bonds will be issued in denominations of \$5,000 each, or integral multiples thereof.

*Redemptions.* The Bonds are subject to optional and sinking payment redemption prior to maturity. See “THE BONDS – Redemption” herein.

*Registration.* The Bonds will be issued in fully registered form without coupons, initially in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. No physical distribution of the Bonds will be made to the public under this arrangement. So long as the Bonds are maintained in book-entry form, all references herein to the owners or holders of the Bonds shall mean DTC and not the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry System” herein.

### **Security for the Series A Bonds**

The Agency has pledged “Tax Revenues” for the repayment of the Series A Bonds. Tax Revenues consist of, for each Bond Year beginning with the Bond Year commencing on the Closing Date, moneys allocated to the Agency with respect to the Project Area, derived from (a) that portion of taxes levied upon assessable property within the Project Area allocated to the

Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws, and (b) reimbursements, subventions (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Sections 16110 *et seq.*, of the Government Code of the State of California), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes. “Tax Revenues” do not include: (i) statutory administrative fees payable to the County, (ii) amounts of such taxes which are required to be paid to other public agencies under the Tax Sharing Statutes, unless subordinated to the payment of debt service on the Series A Bonds or any Parity Debt, or (iii) the portion of such taxes which is required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Law. See “SECURITY FOR THE SERIES A BONDS” herein.

“Tax Sharing Statutes” is defined in the Series A Indenture to mean the provisions of the Law, including but not limited to Sections 33607.5 thereof, under which a taxing entity is entitled to receive any portion of the Tax Revenues by operation of such statutory provision.

The Series A Bonds are payable solely from, and are secured by, the Tax Revenues, and from amounts on deposit in the Series A Reserve Account and other funds and accounts pledged under the Series A Indenture (except the Rebate Fund). The Agency is funding, from proceeds of the Series A Bonds, a Reserve Account relating to the Series A Bonds, which shall be maintained at the Reserve Requirement and which shall be available to pay debt service on all Series A Bonds. See “SECURITY FOR THE SERIES A BONDS – Reserve Account” herein.

Except for the Tax Revenues and the amounts held in certain funds and accounts created pursuant to the Series A Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series A Bonds. See “SECURITY FOR THE SERIES A BONDS” herein.

### **Security for the Series B Bonds**

The Agency has pledged the “Housing Set-Aside Revenues” for the repayment of the Series B Bonds. The Housing Set-Aside Revenues consists of, for each Bond Year beginning with the Bond Year commencing on the Closing Date, that portion of the Tax Revenues that are required to be deposited in the Agency’s low and moderate income housing fund pursuant to Section 33334.3 of the Law. See “SECURITY FOR THE SERIES B BONDS” herein. Except for the Housing Set-Aside Revenues and the amounts held in certain funds and accounts created pursuant to the Series B Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds.

The Series B Bonds are payable solely from, and are secured by, the Housing Set-Aside Revenues, and from amounts on deposit in the Series B Reserve Account (as defined herein) and other funds and accounts pledged under the Series B Indenture (except the Rebate Fund). The Agency is funding, from proceeds of the Series B Bonds, a Series B Reserve Account relating to the Series B Bonds, which shall be maintained at the Reserve Requirement and

which shall be available to pay debt service on all Series B Bonds. See “SECURITY FOR THE SERIES B BONDS – Reserve Account” herein.

Except for the Housing Set-Aside Revenues and the amounts held in certain funds and accounts created pursuant to the Series B Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds. See “SECURITY FOR THE SERIES B BONDS” herein.

### **The Bonds are Special Obligations**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY SET FORTH IN THE RESPECTIVE INDENTURES.

### **The Bonds are Subject to Risk**

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 and Housing Set-Aside 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 and Housing Set-Aside Revenues are set forth under the caption “RISK FACTORS AND LIMITATIONS ON TAX REVENUES.”

### **Forward-Looking Statements**

This Official Statement contains forward-looking statements, including (i) statements containing projections of Tax Revenues and Housing Set-Aside 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” “SECURITY FOR THE SERIES A BONDS” and “SECURITY FOR THE SERIES B BONDS” 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 assurance can be given that such expectations 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.

## **Available Information and Continuing Disclosure**

The Agency has covenanted to provide certain financial information and operating data by not later than nine months after the end of the Agency's Fiscal Year (presently June 30) in each year commencing with its report for the 2006-07 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. 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 E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Agency has never failed to comply in all material respects with any previous continuing disclosure undertakings pursuant to the Rule.

## **Summary of Terms**

Brief descriptions of the Bonds, the Indentures, 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 Indentures, the Act and the Constitution and the laws of the State are qualified in their entirety by reference to such documents, statute or law, and all references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indentures. Copies of the proceedings of the Agency referred to above, the Indentures and other documents described in this Official Statement are available for inspection at the offices of the Agency, 6707 Third Street, Riverbank, California 95367.

## **THE SERIES A BONDS FINANCING PLAN**

### **In General**

The proceeds of the Series A Bonds will be applied to (i) finance certain non-housing related redevelopment activities of the Agency, (ii) fund a reserve account for the Series A Bonds, (iii) fund capitalized interest for the Series A Bonds, and (iv) pay all costs of issuance relating to the Series A Bonds.

### **Redevelopment Projects**

The Agency intends to use proceeds of the Series A Bonds to finance some or all of the non-housing public improvement projects contemplated in the Plan. The Agency is not obligated to finance these projects with Series A Bond proceeds, and may at its discretion finance these projects from other sources, or elect to use the Series A Bond proceeds for other projects, as permitted by applicable law.

**Series A Bonds Sources and Uses of Funds**

The estimated sources and uses of proceeds to be received from the sale of the Series A Bonds are summarized in table 1 below.

**Table 1**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>ESTIMATED SOURCES AND USES OF FUNDS OF THE SERIES A BONDS</b> |                 |
|--|-----------------|
| <u>Sources of Funds</u>  |                 |
| Principal Amount of Series A Bonds                               | \$12,315,000.00 |
| Plus: Net Original Issue Premium                                 | 205,435.85      |
| Less: Underwriter's Discount                                     | (160,095.00)    |
| Total Sources  | \$12,360,340.85 |
| <u>Uses of Funds</u>   |                 |
| Deposit to Redevelopment Fund                                    | \$10,358,025.66 |
| Deposit to Reserve Account                                       | 821,250.00      |
| Capitalized Interest   | 1,017,503.48    |
| Costs of Issuance <sup>(1)</sup>                                 | 163,561.71      |
| Total Uses   | \$12,360,340.85 |

(1) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, rating agency, Financial Advisor, Fiscal Consultant, printing expenses and other costs related to the issuance of the Bonds.

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**Series A Bonds Debt Service Schedule**

The following table 2 sets forth the annual principal and interest on the Series A Bonds (assuming no redemptions of the Series A Bonds, other than mandatory sinking fund redemptions).

**Table 2**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>SERIES A BONDS DEBT SERVICE SCHEDULE</b> |                             |                            |                         |
|---|-----------------------------|----------------------------|-------------------------|
| <b>Date<br/>(August 1)</b>                  | <b>Principal<br/>Amount</b> | <b>Interest<br/>Amount</b> | <b>Debt<br/>Service</b> |
| 2007  |                             | \$262,711.67               | \$262,711.67            |
| 2008  |                             | 591,101.26                 | 591,101.26              |
| 2009  |                             | 591,101.26                 | 591,101.26              |
| 2010  | \$230,000.00                | 591,101.26                 | 821,101.26              |
| 2011  | 235,000.00                  | 581,901.26                 | 816,901.26              |
| 2012  | 245,000.00                  | 572,736.26                 | 817,736.26              |
| 2013  | 255,000.00                  | 562,936.26                 | 817,936.26              |
| 2014  | 265,000.00                  | 552,481.26                 | 817,481.26              |
| 2015  | 275,000.00                  | 541,550.00                 | 816,550.00              |
| 2016  | 290,000.00                  | 530,000.00                 | 820,000.00              |
| 2017  | 300,000.00                  | 517,675.00                 | 817,675.00              |
| 2018  | 315,000.00                  | 504,775.00                 | 819,775.00              |
| 2019  | 330,000.00                  | 491,230.00                 | 821,230.00              |
| 2020  | 340,000.00                  | 476,710.00                 | 816,710.00              |
| 2021  | 355,000.00                  | 461,750.00                 | 816,750.00              |
| 2022  | 375,000.00                  | 444,000.00                 | 819,000.00              |
| 2023  | 395,000.00                  | 425,250.00                 | 820,250.00              |
| 2024  | 415,000.00                  | 405,500.00                 | 820,500.00              |
| 2025  | 435,000.00                  | 384,750.00                 | 819,750.00              |
| 2026  | 455,000.00                  | 363,000.00                 | 818,000.00              |
| 2027  | 480,000.00                  | 340,250.00                 | 820,250.00              |
| 2028  | 505,000.00                  | 316,250.00                 | 821,250.00              |
| 2029  | 530,000.00                  | 291,000.00                 | 821,000.00              |
| 2030  | 555,000.00                  | 264,500.00                 | 819,500.00              |
| 2031  | 580,000.00                  | 236,750.00                 | 816,750.00              |
| 2032  | 610,000.00                  | 207,750.00                 | 817,750.00              |
| 2033  | 640,000.00                  | 177,250.00                 | 817,250.00              |
| 2034  | 675,000.00                  | 145,250.00                 | 820,250.00              |
| 2035  | 705,000.00                  | 111,500.00                 | 816,500.00              |
| 2036  | 745,000.00                  | 76,250.00                  | 821,250.00              |
| 2037  | 780,000.00                  | 39,000.00                  | 819,000.00              |
| <b>Totals</b>                               | <b>\$12,315,000.00</b>      | <b>\$12,058,010.49</b>     | <b>\$24,373,010.49</b>  |



## **THE SERIES B BONDS FINANCING PLAN**

### **In General**

The proceeds of the Series B Bonds will be applied to (i) finance certain housing-related redevelopment activities of the Agency, (ii) fund a reserve account for the Series B Bonds, (iii) fund capitalized interest for the Series B Bonds, and (iv) pay all costs of issuance relating to the Series B Bonds.

### **Low and Moderate Income Housing Project**

The Agency intends to use a portion of the proceeds of the Series B Bonds to finance the acquisition of certain real property located within the Project Area. Once the property has been acquired, the Agency plans to provide for the development of low and moderate income housing. The Agency may use some or all of the Series B Bond proceeds on other projects, as permitted by the Law. While the Agency expects that sufficient funds will be available to complete this acquisition, there can be no assurance that there will be sufficient funds or that the acquisition will be completed. The Agency does not expect that failure to complete this project would have a material adverse impact on either the Tax Revenues or the Housing Set-Aside Revenues.

### **Housing Set-Aside Revenues**

The Agency has pledged the “Housing Set-Aside Revenues” for the repayment of the Series B Bonds. The Housing Set-Aside Revenues consists of, for each Bond Year beginning with the Bond Year commencing on the Closing Date, that portion of the Tax Revenues that are required to be deposited in the Agency’s low and moderate income housing fund pursuant to Section 33334.3 of the Law. See “SECURITY FOR THE SERIES B BONDS” herein.

Except for the Housing Set-Aside Revenues and the amounts held in certain funds and accounts created pursuant to the Series B Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds.

The Series B Bonds are payable solely from, and are secured by, the Housing Set-Aside Revenues, and from amounts on deposit in the Series B Reserve Account (as defined herein) and other funds and accounts pledged under the Series B Indenture (except the Rebate Fund). The Agency is funding, from proceeds of the Series B Bonds, a Series B Reserve Account relating to the Series B Bonds, which shall be maintained at the Reserve Requirement and which shall be available to pay debt service on all Series B Bonds. See “SECURITY FOR THE SERIES B BONDS – Reserve Account” herein.

## Series B Bonds Sources and Uses of Funds

The estimated sources and uses of proceeds to be received from the sale of the Series B Bonds are summarized in table 3 below.

**Table 3**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <u>ESTIMATED SOURCES AND USES OF FUNDS OF THE SERIES B BONDS</u> |                       |
|--|-----------------------|
| <u>Sources of Funds</u>  |                       |
| Principal Amount of Series B Bonds                               | \$3,120,000.00        |
| Plus: Net Original Issue Premium                                 | 28,775.95             |
| Less: Underwriter's Discount                                     | <u>(40,560.00)</u>    |
| Total Sources  | <u>\$3,108,215.95</u> |
| <u>Uses of Funds</u>   |                       |
| Low and Moderate Income Housing Fund                             | \$2,604,469.92        |
| Deposit to Reserve Account                                       | 208,372.50            |
| Capitalized Interest   | 253,935.24            |
| Costs of Issuance <sup>(1)</sup>                                 | <u>41,438.29</u>      |
| Total Uses   | <u>\$3,108,215.95</u> |

(1) Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, rating agency, Financial Advisor, Fiscal Consultant, printing expenses and other costs related to the issuance of the Bonds.

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## Series B Bonds Debt Service Schedule

The following table 4 sets forth the annual principal and interest on the Series B Bonds (assuming no redemptions of the Series B Bonds, other than mandatory sinking fund redemptions).

**Table 4**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>SERIES B BONDS DEBT SERVICE SCHEDULE</b> |                             |                            |                         |
|---|-----------------------------|----------------------------|-------------------------|
| <b>Date<br/>(August 1)</b>                  | <b>Principal<br/>Amount</b> | <b>Interest<br/>Amount</b> | <b>Debt<br/>Service</b> |
| 2007  |                             | \$65,643.44                | \$65,643.44             |
| 2008  |                             | 147,677.50                 | 147,677.50              |
| 2009  |                             | 147,677.50                 | 147,677.50              |
| 2010  | \$60,000.00                 | 147,677.50                 | 207,677.50              |
| 2011  | 60,000.00                   | 145,397.50                 | 205,397.50              |
| 2012  | 65,000.00                   | 143,057.50                 | 208,057.50              |
| 2013  | 65,000.00                   | 140,457.50                 | 205,457.50              |
| 2014  | 70,000.00                   | 137,792.50                 | 207,792.50              |
| 2015  | 70,000.00                   | 134,905.00                 | 204,905.00              |
| 2016  | 75,000.00                   | 131,965.00                 | 206,965.00              |
| 2017  | 75,000.00                   | 128,777.50                 | 203,777.50              |
| 2018  | 80,000.00                   | 125,552.50                 | 205,552.50              |
| 2019  | 85,000.00                   | 122,112.50                 | 207,112.50              |
| 2020  | 90,000.00                   | 118,372.50                 | 208,372.50              |
| 2021  | 90,000.00                   | 114,412.50                 | 204,412.50              |
| 2022  | 95,000.00                   | 110,137.50                 | 205,137.50              |
| 2023  | 100,000.00                  | 105,625.00                 | 205,625.00              |
| 2024  | 105,000.00                  | 100,875.00                 | 205,875.00              |
| 2025  | 110,000.00                  | 95,887.50                  | 205,887.50              |
| 2026  | 115,000.00                  | 90,662.50                  | 205,662.50              |
| 2027  | 120,000.00                  | 85,200.00                  | 205,200.00              |
| 2028  | 125,000.00                  | 79,500.00                  | 204,500.00              |
| 2029  | 135,000.00                  | 73,250.00                  | 208,250.00              |
| 2030  | 140,000.00                  | 66,500.00                  | 206,500.00              |
| 2031  | 145,000.00                  | 59,500.00                  | 204,500.00              |
| 2032  | 155,000.00                  | 52,250.00                  | 207,250.00              |
| 2033  | 160,000.00                  | 44,500.00                  | 204,500.00              |
| 2034  | 170,000.00                  | 36,500.00                  | 206,500.00              |
| 2035  | 180,000.00                  | 28,000.00                  | 208,000.00              |
| 2036  | 185,000.00                  | 19,000.00                  | 204,000.00              |
| 2037  | 195,000.00                  | 9,750.00                   | 204,750.00              |
| <b>Totals</b>                               | <b>\$3,120,000.00</b>       | <b>\$3,008,606.94</b>      | <b>\$6,128,606.94</b>   |

## THE SERIES A BONDS

### Authority for Issuance

Pursuant to a resolution of the Agency adopted on January 22, 2007, the Agency authorized the issuance of the Series A Bonds under the Series A Indenture.

### Description of the Series A Bonds

The Series A Bonds will be issued only in the form of fully registered Series A Bonds without coupons, in denominations of \$5,000 or any whole multiple thereof. The Series A Bonds will be dated the date of initial delivery thereof, will mature on August 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 Series A Bonds will be paid on August 1 and February 1 of each year, commencing August 1, 2007 (each, an "Interest Payment Date"), by check mailed on the Interest Payment Date to the registered owners of the Series A 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 Series A Bonds at such wire transfer account within the continental United States as such owner provides to the Series A Trustee not later than the 15th day of the month preceding the Interest Payment Date.

The Series A Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16<sup>th</sup> day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; provided, however, that if, at the time of authentication of any Series A Bond, interest is then in default on the Outstanding Series A Bonds, such Series A Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series A Bonds.

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

### Redemption

**Optional Redemption.** The Series A Bonds maturing on or before August 1, 2015 are not subject to call and redemption prior to maturity. The Series A Bonds maturing on or after August 1, 2016 shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole or in part on any date, among maturities as shall be determined by the Agency, and by lot within each maturity (each Series A 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 August 1, 2015, at the redemption price for each redeemed

Series A Bond set forth below, calculated as a percentage of the principal amount thereof, with accrued interest to the date of redemption:

| <u>Redemption Period</u>             | <u>Redemption Price</u> |
|--------------------------------------|-------------------------|
| August 1, 2015 through July 31, 2016 | 102%                    |
| August 1, 2016 through July 31, 2017 | 101%                    |
| August 1, 2017 and thereafter        | 100%                    |

**Sinking Account Redemption.** The Series A Bonds maturing August 1, 2027 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2021, from mandatory sinking fund payments set aside in the Principal Account, 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 Series A Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series A Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| <u>Sinking<br/>Payment Date<br/>(August 1)</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|--|--|
| 2021   | \$355,000                                  |
| 2022   | 375,000                                    |
| 2023   | 395,000                                    |
| 2024   | 415,000                                    |
| 2025   | 435,000                                    |
| 2026   | 455,000                                    |
| 2027 (maturity)                                | 480,000                                    |

The Series A Bonds maturing August 1, 2032 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2028, from mandatory sinking fund payments set aside in the Series A Principal Account, 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 Series A Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series A Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| Sinking<br>Payment Date<br><u>(August1)</u> | Principal Amount<br>to be Redeemed |
|---|------------------------------------|
| 2028  | \$505,000                          |
| 2029  | 530,000                            |
| 2030  | 555,000                            |
| 2031  | 580,000                            |
| 2032 (maturity)                             | 610,000                            |

The Series A Bonds maturing August 1, 2037 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2033, from mandatory sinking fund payments set aside in the Series A Principal Account, 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 Series A Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series A Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| Sinking<br>Payment Date<br><u>(August1)</u> | Principal Amount<br>to be Redeemed |
|---|------------------------------------|
| 2033  | \$640,000                          |
| 2034  | 675,000                            |
| 2035  | 705,000                            |
| 2036  | 745,000                            |
| 2037 (maturity)                             | 780,000                            |

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

**Notice of Redemption.** Notice of redemption shall be given by the Trustee, for and on behalf of, and at the expense of, the Agency, 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 Series A Bond registration books of the Trustee on the date such Series A 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 Series A Bonds to be redeemed, the individual number of each Series A Bond to be redeemed or that all Series A Bonds between two stated numbers (both inclusive) or that all of the Series A Bonds are to be redeemed and, in the case of Series A 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 Series A Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Series A 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.

Additionally, on the date on which the notice of redemption is mailed to the Owners of the Series A Bonds pursuant to the provisions above, such notice of redemption shall be given by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the Agency to the Trustee and to any additional Information Services.

The actual receipt of notice of such redemption by the Owner of any Series A Bond shall not be a condition precedent to redemption, and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Series A Bonds or the cessation of interest on the redemption date. A certificate by the Trustee that notice of call and redemption has been given to Owners of the Series A Bonds as herein provided shall be conclusive as against all parties, and no Bondowner whose Series A Bond, or portion thereof, is called for redemption may object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to receive actual notice of call and redemption.

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 Series A Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Series A 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.

### **Book-Entry System**

DTC will act as securities depository for the Series A Bonds. The Series A Bonds will be issued as fully-registered bonds, initially registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series A Bond will be issued for each maturity of the Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – 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 Series A 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 Series A Bonds or an error or delay relating thereto.

## **Parity Debt**

**Parity Bonds.** In addition to the Series A Bonds, the Agency may, by Supplemental Indenture, or Parity Bond Indenture, issue or incur Parity Bonds payable from Tax Revenues on a parity with the Series A Bonds to finance the Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Bonds subject to the following specific conditions, all of which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds:

(a) The Agency must be in compliance with all covenants set forth in the Series A Indenture and any Parity Bond Indenture (so long as the related series of Parity Bonds are outstanding).

(b) As evidenced by a Consultant's Report, the Tax Revenues for the then current Fiscal Year, (i) calculated using a tax rate of one percent (1%) (without regard to overrides) and (ii) based on the assessed valuation of property in the Project Area on the most recent tax roll as evidenced in a written document from an appropriate official of the County, but excluding any reimbursements, subventions or other payment made by the State with respect to exempt property taxes, and (iii) plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Series A Bonds and Parity Bonds which will be Outstanding following the issuance of such Parity Bonds. In addition, an adjustment shall be made to Tax Revenues for the purposes of such calculation to reduce such amount by (i) the amount by which Tax Revenues would be decreased if the percent of pending assessment appeals were to be determined in favor of the property owners in proportion to the historical success rate and in an amount equal to the average historical reduction, both over the most recent five (5) years, based on the most recent information available from the County Assessor's office and (ii) the average for the last five (5) years of the delinquency rate on taxes levied on assessable property unless County reimbursement of such amounts is in effect under the Teeter Plan of the County and such Teeter Plan is not expected to be terminated.

For the purposes of the issuance of Parity Bonds, Outstanding Series A Bonds shall not include any Parity Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Parity Bonds shall provide that: (A) such proceeds shall be invested in Federal Securities 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 Parity Bonds; (B) moneys may be transferred from said escrow fund only if Tax Revenues (including an allowance for Tax Revenues to be derived from construction completed but not yet on the rolls if such value can be certified by the County Assessor's office) for the next preceding Fiscal Year will be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Outstanding Series A Bonds and Parity Bonds less a principal amount of Bonds or Parity Bonds which is equal to moneys on deposit in said escrow fund after each such transfer;



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.

(c) The Supplemental Indenture, or Parity Bond Indenture, providing for the issuance of such Parity Bonds shall provide that money shall be deposited in the Reserve Account from the proceeds of the sale of said Parity Bonds in an amount necessary to increase the amount in the Reserve Account to the Reserve Requirement for the Series A Bonds and Parity Bonds, taking into account the issuance of the Parity Bonds. A surety bond may be provided in satisfaction of this requirement.

(d) The Supplemental Indenture, or Parity Bond Indenture, providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, to the extent necessary or desirable.

(e) The aggregate amount of the principal of and interest on all outstanding Series A Bonds, Parity Bonds and Subordinate Debt coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Bonds.

(f) The Agency may issue Parity Bonds the proceeds of which are deposited into an escrow account held under the Indenture so long as such proceeds are not released to the Agency until such time as the test in paragraph (b) above has been satisfied with respect to the Debt Service on the Parity Bonds issued to fund such escrow deposit (such escrow proceeds may be released in part with respect to that portion of Debt Service which satisfies the test in paragraph (b) above at any time).

(g) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (a), (b), (c), and (e) above have been satisfied.

**Subordinate Debt.** The Agency may also issue Subordinate Debt, provided that the Agency shall not be in default under the Series A Indenture.

**Hedged Bonds.** The Agency may, at any time and from time to time, provide for the issuance of Parity Bonds pursuant to the provisions of section 3.03 of the Series A Indenture that are Hedged Bonds, provided that such Hedged Bonds and any Supplemental Indenture or Parity Bond Indenture providing for the issuance thereof satisfy the following requirements:

(a) The aggregate amount of such Hedged Bonds outstanding does not at any time exceed forty percent (40%) of all outstanding Parity Bonds, *provided, however*, to the extent that such Hedged Bonds in excess of forty percent (40%) of all outstanding Parity Bonds is secured with a financial guaranty insurance policy from a monoline municipal bond insurance company whose claims paying ability is rated at least “A” by S&P and “A2” by Moody’s, then this clause (a) will not apply;

(b) Concurrent with the issuance of such Hedged Bonds, the Agency shall issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Bonds, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Bonds specified by an Authorized Agency Representative; and (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Bonds;

(c) The provisions of Section 5.02 of the Series A Indenture shall be amended to reflect that amounts payable to the counterparty from the Agency, including Agency Swap Payments, and amounts payable to the Agency from the counterparty under the Qualified Swap Agreement, including Net Payments, if any, with respect to such Hedged Bonds shall pass through the Special Fund, and not be paid directly by the Agency to such counterparty or to the Agency by such counterparty; and

(d) The Agency's obligation to pay any Termination Payments in connection with such Hedged Bonds is expressly subordinate to the pledge of Tax Revenues to secure the obligation to pay Annual Debt Service and any other payments due in connection with Parity Bonds under the Series A Indenture.

The Supplemental Indenture or Parity Bond Indenture authorizing the issuance of Parity Bonds that are Hedged Bonds pursuant to Section 3.05 of the Series A Indenture may provide for such further amendments and supplemental provisions as may be necessary to effectuate such issuance and conform to the terms thereof.

## **THE SERIES B BONDS**

### **Authority for Issuance**

Pursuant to a resolution of the Agency adopted on January 22, 2007, the Agency authorized the issuance of the Series B Bonds under the Series B Indenture.

### **Description of the Series B Bonds**

The Series B Bonds will be issued only in the form of fully registered Series B Bonds without coupons, in denominations of \$5,000 or any whole multiple thereof. The Series B Bonds will be dated the date of initial delivery thereof, will mature on August 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 Series B Bonds will be paid on August 1 and February 1 of each year, commencing August 1, 2007 (each, an "Interest Payment Date"), by check mailed on the Interest Payment Date to the registered owners of the Series B 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 Series B Bonds at such wire transfer account within the continental United States as such owner provides to the Series B Trustee not later than the 15th day of the month preceding the Interest Payment Date.

The Series B Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16<sup>th</sup> day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; provided, however, that if, at the time of authentication of any Series B Bond, interest is then in default on the Outstanding Series B Bonds, such Series B Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Series B Bonds.

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

**Redemption**

**Optional Redemption.** The Series B Bonds maturing before August 1, 2015 are not subject to call and redemption prior to maturity. The Series B Bonds maturing on or after August 1, 2016 shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole or in part on any date, among maturities as shall be determined by the Agency, and by lot within each maturity (each Series B 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 August 1, 2015, at the redemption price for each redeemed Series B Bond set forth below, calculated as a percentage of the principal amount thereof, with accrued interest to the date of redemption:

| <u>Redemption Period</u>             | <u>Redemption Price</u> |
|--------------------------------------|-------------------------|
| August 1, 2015 through July 31, 2016 | 102%                    |
| August 1, 2016 through July 31, 2017 | 101%                    |
| August 1, 2017 and thereafter        | 100%                    |

**Sinking Account Redemption.** The Series B Bonds maturing August 1, 2027 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2021, from mandatory sinking fund payments set aside in the Series B Principal Account, 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 Series B Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series B Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| <u>Sinking<br/>Payment Date<br/>(August 1)</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|--|--|
| 2021   | \$90,000                                   |
| 2022   | 95,000                                     |
| 2023   | 100,000                                    |
| 2024   | 105,000                                    |
| 2025   | 110,000                                    |
| 2026   | 115,000                                    |
| 2027 (maturity)                                | 120,000                                    |

The Series B Bonds maturing August 1, 2032 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2028, from mandatory sinking fund payments set aside in the Series B Principal Account, 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 Series B Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series B Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| <u>Sinking<br/>Payment Date<br/>(August 1)</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|--|--|
| 2028   | \$125,000                                  |
| 2029   | 135,000                                    |
| 2030   | 140,000                                    |
| 2031   | 145,000                                    |
| 2032 (maturity)                                | 155,000                                    |

The Series B Bonds maturing August 1, 2037 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity date, on August 1 in each year, commencing on August 1, 2033, from mandatory sinking fund payments set aside in the Series B Principal Account, 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 Series B Bonds have been optionally redeemed in advance of maturity pursuant to the Indenture, the total amount of all future sinking fund payments set forth below shall be reduced by the aggregate principal amount of such Series B Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Agency:

| <u>Sinking<br/>Payment Date<br/>(August1)</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|---|--|
| 2033  | \$160,000                                  |
| 2034  | 170,000                                    |
| 2035  | 180,000                                    |
| 2036  | 185,000                                    |
| 2037 (maturity)                               | 195,000                                    |

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

**Notice of Redemption.** Notice of redemption shall be given by the Series B Trustee, for and on behalf of, and at the expense of, the Agency, 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 Series B Bond registration books of the Series B Trustee on the date such Series B 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 Series B Bonds to be redeemed, the individual number of each Series B Bond to be redeemed or that all Series B Bonds between two stated numbers (both inclusive) or that all of the Series B Bonds are to be redeemed and, in the case of Series B 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 Series B Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Series B 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.

Additionally, on the date on which the notice of redemption is mailed to the Owners of the Series B Bonds pursuant to the provisions above, such notice of redemption shall be given by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the Agency to the Series B Trustee and to any additional Information Services.

The actual receipt of notice of such redemption by the Owner of any Series B Bond shall not be a condition precedent to redemption, and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Series B Bonds or the cessation of interest on the redemption date. A certificate by the Series B Trustee that notice of call and redemption has been given to Owners of the Series B Bonds as herein provided shall be conclusive as against all parties, and no Bondowner whose Series B Bond, or portion thereof, is called for redemption may object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to receive actual notice of call and redemption.

The Agency shall have the right to rescind any optional redemption by written notice to the Series B 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 Series B Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Series B Indenture. The Agency and the Series B Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Series B Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

### **Book-Entry System**

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

The Agency and the Series B 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 Series B 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 Series B 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 Series B Bonds or an error or delay relating thereto.

### **Parity Debt**

**Parity Bonds.** In addition to the Series B Bonds, the Agency may, by Supplemental Indenture, or Parity Bond Indenture, issue or incur Parity Bonds payable from Housing Set-Aside Revenues on a parity with the Series B Bonds to finance the Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Bonds subject to the following specific conditions, all of which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds:

(a) The Agency must be in compliance with all covenants set forth in the Series B Indenture and any Parity Bond Indenture (so long as the related series of Parity Bonds are outstanding).

(b) As evidenced by a Consultant's Report, the Housing Set-Aside Revenues for the then current Fiscal Year, (i) calculated using a tax rate of one percent (1%) (without regard to overrides) and (ii) based on the assessed valuation of property in the Project Area on the most recent tax roll as evidenced in a written document from an appropriate official of the County, but excluding any reimbursements, subventions or other payment made by the State with respect to

exempt property taxes, and (iii) plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Series B Bonds and Parity Bonds which will be Outstanding following the issuance of such Parity Bonds. In addition, an adjustment shall be made to Housing Set-Aside Revenues for the purposes of such calculation to reduce such amount by (i) the amount by which Housing Set-Aside Revenues would be decreased if the percent of pending assessment appeals were to be determined in favor of the property owners in proportion to the historical success rate and in an amount equal to the average historical reduction, both over the most recent five (5) years, based on the most recent information available from the County Assessor's office and (ii) the average for the last five (5) years of the delinquency rate on taxes levied on assessable property unless County reimbursement of such amounts is in effect under the Teeter Plan of the County and such Teeter Plan is not expected to be terminated.

For the purposes of the issuance of Parity Bonds, Outstanding Series B Bonds shall not include any Parity Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Parity Bonds shall provide that: (A) such proceeds shall be invested in Federal Securities 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 Parity Bonds; (B) moneys may be transferred from said escrow fund only if Housing Set-Aside Revenues (including an allowance for Housing Set-Aside Revenues to be derived from construction completed but not yet on the rolls if such value can be certified by the County Assessor's office) for the next preceding Fiscal Year will be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Outstanding Series B Bonds and Parity Bonds less a principal amount of Series B Bonds or Parity Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; 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.

(c) The Supplemental Indenture, or Parity Bond Indenture, providing for the issuance of such Parity Bonds shall provide that money shall be deposited in the Series B Reserve Account from the proceeds of the sale of said Parity Bonds in an amount necessary to increase the amount in the Reserve Account to the Reserve Requirement for the Series B Bonds and Parity Bonds, taking into account the issuance of the Parity Bonds. A surety bond may be provided in satisfaction of this requirement.

(d) The Supplemental Indenture, or Parity Bond Indenture, providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, to the extent necessary or desirable.

(e) The aggregate amount of the principal of and interest on all outstanding Bonds, Parity Bonds and Subordinate Debt coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Bonds.

(f) The Agency may issue Parity Bonds the proceeds of which are deposited into an escrow account held under the Series B Indenture so long as such proceeds are not released to the Agency until such time as the test in paragraph (b) above has been satisfied with respect to the Debt Service on the Parity Bonds issued to fund such escrow deposit (such escrow proceeds may be released in part with respect to that portion of Debt Service which satisfies the test in paragraph (b) above at any time).

(g) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (a), (b), (c), and (e) above have been satisfied.

**Subordinate Debt.** The Agency may also issue Subordinate Debt, provided that the Agency shall not be in default under the Series B Indenture.

**Hedged Bonds.** The Agency may, at any time and from time to time, provide for the issuance of Parity Bonds pursuant to the provisions of section 3.03 of the Series B Indenture that are Hedged Bonds, provided that such Hedged Bonds and any Supplemental Indenture or Parity Bond Indenture providing for the issuance thereof satisfy the following requirements:

(a) The aggregate amount of such Hedged Bonds outstanding does not at any time exceed forty percent (40%) of all outstanding Parity Bonds, *provided, however*, to the extent that such Hedged Bonds in excess of forty percent (40%) of all outstanding Parity Bonds is secured with a financial guaranty insurance policy from a monoline municipal bond insurance company whose claims paying ability is rated at least “A” by S&P and “A2” by Moody’s, then this clause (a) will not apply;

(b) Concurrent with the issuance of such Hedged Bonds, the Agency shall issue or enter into an obligation or commitment which is a Qualified Swap Agreement, the Net Payments under which shall constitute Parity Bonds, provided (i) the Qualified Swap Agreement shall relate to a principal amount of Outstanding Parity Bonds specified by an Authorized Agency Representative; and (ii) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Parity Bonds;

(c) The provisions of Section 5.02 of the Series B Indenture shall be amended to reflect that amounts payable to the counterparty from the Agency, including Agency Swap Payments, and amounts payable to the Agency from the counterparty under the Qualified Swap Agreement, including Net Payments, if any, with respect to such Hedged Bonds shall pass through the Special Fund, and not be paid directly by the Agency to such counterparty or to the Agency by such counterparty; and

(d) The Agency’s obligation to pay any Termination Payments in connection with such Hedged Bonds is expressly subordinate to the pledge of Housing Set-Aside Revenues to secure the obligation to pay Annual Debt Service and any other payments due in connection with Parity Bonds under the Series B Indenture.



The Supplemental Indenture or Parity Bond Indenture authorizing the issuance of Parity Bonds that are Hedged Bonds pursuant to Section 3.05 of the Series B Indenture may provide for such further amendments and supplemental provisions as may be necessary to effectuate such issuance and conform to the terms thereof.

## **SECURITY FOR THE SERIES A BONDS**

### **General**

The Series A Bonds are secured by an irrevocable pledge of the Tax Revenues, and all funds and accounts pledged under the Series A Indenture, but excluding amounts on deposit in the Rebate Fund. The Tax Revenues will 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 Series A Indenture, and to maintain the Reserve Account in an amount equal to the Reserve Requirement. Parity Bonds payable from Tax Revenues on a parity with the Series A Bonds may be issued under the Series A Indenture (see “THE SERIES A BONDS – Parity Debt”).

If an event of default occurs under the Series A Indenture which results in insufficient amounts with which to pay the principal of, premium (if any) and interest on the Series A Bonds, to the extent the Trustee recovers any monies following an event of default under the Series A Indenture, such monies and any resulting deficiencies in the payments of principal of and interest on the Series A Bonds will first be applied as provided for in the Series A Indenture. See “APPENDIX A – SUMMARY OF THE INDENTURES – Events of Default and Remedies.”

### **Tax Revenues**

“Tax Revenues,” as defined in the Series A Indenture, means, except as provided below, moneys allocated to the Agency with respect to the Project Area following the Closing Date derived from (a) that portion of taxes levied upon assessable property within the Project Area allocated to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws, and (b) reimbursements, subventions (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Sections 16110 et seq., of the Government Code of the State of California), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes. “Tax Revenues” do not include: (i) statutory administrative fees payable to the County, (ii) amounts of such taxes which are required to be paid to other public agencies under any Pass-Through Agreements or Tax Sharing Statutes, unless subordinated to the payment of debt service on the Series A Bonds or any Parity Debt, or (iii) the portion of such taxes which is required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Law.

### **Reserve Account**

Upon receipt of the proceeds from the sale of the Series A Bonds, the amount deposited in the Reserve Account will be in the amount set forth in “SERIES A BONDS FINANCING

PLAN – Series A Bonds Sources and Uses of Funds” above, and will constitute the initial Reserve Requirement.

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 Series A Bonds, in the event of any deficiency at any time to make such payments, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series A Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Series A Bonds then Outstanding, except that so long as the Agency is not in default under the Series A Indenture, any amount in the Reserve Account established thereunder in excess of the Reserve Requirement may be withdrawn by the Trustee and transferred to the Agency.

### **Limited Obligations**

The Series A Bonds are not a debt of 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 therefore. The principal of, premium, if any, and interest on the Series A Bonds are payable solely from the Tax Revenues. The Agency’s obligations under the Series A Indenture are a limited obligation payable solely from Tax Revenues relating to such Series A Indenture allocated to the Agency and from other amounts pledged under the Series A Indenture. The Series A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction. See “RISK FACTORS AND LIMITATIONS ON TAX REVENUES” herein.

## **SECURITY FOR THE SERIES B BONDS**

### **General**

**Low and Moderate Income Housing Requirements.** Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Act, 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. Since the Redevelopment Plan was adopted after December 31, 1976, the Agency is subject to this statutory requirement for the Project Area.

Pursuant to the Act, 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, and the Series B Bonds are being issued on that basis.

**Pledge of Housing Set-Aside Revenues.** The Series B Bonds are secured by an irrevocable pledge of the Housing Set-Aside Revenues, and all funds and accounts pledged under the Series B Indenture, but excluding amounts on deposit in the Rebate Fund. The Housing Set-Aside Revenues will be applied, on a parity basis, to the payment of the principal of, premium, if any, and interest on the Series B Bonds and any Parity Bonds issued pursuant to the Series B Indenture, and to maintain the Reserve Account in an amount equal to the Reserve Requirement. Parity Bonds payable from Housing Set-Aside Revenues on a parity with the Series B Bonds may be issued under the Series B Indenture (see “THE SERIES B BONDS – Parity Debt”).

If an event of default occurs under the Series B Indenture which results in insufficient amounts with which to pay the principal of, premium (if any) and interest on the Series B Bonds, to the extent the Trustee recovers any monies following an event of default under the Series B Indenture, such monies and any resulting deficiencies in the payments of principal of and interest on the Series B Bonds will first be applied as provided for in the Series B Indenture. See “APPENDIX A – SUMMARY OF THE INDENTURES – Events of Default and Remedies.”

### **Housing Set-Aside Revenues**

“Housing Set-Aside Revenues,” as defined in the Series B Indenture, means, for each Bond Year beginning with the Bond Year commencing on the Closing Date, that portion of the Gross Tax Revenues that are required to be deposited in the Agency’s low and moderate income housing fund pursuant to Section 33334.3 of the Law.

“Gross Tax Revenues,” as defined in the Series B Indenture, means taxes for each Bond Year (including all payments and reimbursements, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law as provided in the Reinvestment Plan.

### **Reserve Account**

Upon receipt of the proceeds from the sale of the Series B Bonds, the amount deposited in the Reserve Account will be in the amount set forth in “SERIES B BONDS FINANCING PLAN – Series B Bonds Sources and Uses of Funds” above, and will constitute the initial Reserve Requirement.

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 Series B Bonds, in the event of any deficiency at any time to make such payments, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series B Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Series B Bonds then Outstanding, except that so long as the Agency is not in default under the Series B Indenture, any amount in the Reserve Account established thereunder in excess of the Reserve Requirement may be withdrawn by the Trustee and transferred to the Agency.

## **Limited Obligations**

Any future decrease in the taxable valuation of property in the Area or in the applicable tax rates relating thereto will reduce the Gross Tax Revenues allocated to the Agency from the Project Area and correspondingly will have an adverse impact on the ability of the Agency to pay the principal of and interest on the Series B Bonds. Except for the Housing Set-Aside Revenues and the amounts held in trust under the Series B Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds.

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions or additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Housing Set-Aside Revenues that would otherwise be available to pay debt service on the Series B Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “RISK FACTORS AND LIMITATIONS ON TAX REVENUES” herein.

## **RISK FACTORS AND LIMITATIONS ON TAX REVENUES**

*The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, the following factors, along with the other information in the Official Statement, should be considered by potential investors in making an independent evaluation regarding the prudence of purchasing any Bonds. However, such listed factors do not purport to be an exhausting listing of risks and other considerations that may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **Tax Revenues**

Tax Revenues and Housing Set-Aside Revenues which secure the Bonds 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 and Housing Set-Aside 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 and fires) could occur, thereby causing a reduction in the Tax Revenues and Housing Set-Aside 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 (see “THE PROJECT AREA – General” hereunder). Any reduction in Tax Revenues and Housing Set-Aside Revenues from the Project

Area could have an adverse effect on the Agency's ability to meet its obligations under the Indentures and the Agency's ability to pay the 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 and Housing Set-Aside Revenues. There are no overrides reflected in the calculation of Tax Revenues and Housing Set-Aside Revenues.

### **Estimated Revenues**

Any reduction in assessed value in the Project Area, reduction in tax rates or reduction in taxes collected would reduce the Gross Tax Revenues available to pay debt service on the Bonds. See "RISK FACTORS AND LIMITATIONS ON TAX REVENUES – Property Tax Administrative Costs" herein. See also "THE PROJECT AREA" hereto for a summary of historical assessed valuation of property in the Project Area, current assessment appeals and historical delinquencies.

If, at any time, 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 principal and interest on the Bonds. See "SECURITY FOR THE SERIES B BONDS – Low and Moderate Income Housing Requirements" herein.

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

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of tax increment revenue by the Agency from the Project Area.

### **Changes in the Redevelopment Law**

The State of California Education Revenue Augmentation Fund ("ERAF") has required redevelopment agencies, including the Agency, to pay a portion of its revenues into a special fund for the benefit of local schools for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 Fiscal Years. See "State Budget" below. There is no assurance that in addition to these and other limitations on tax revenues described herein, the California electorate or Legislature would not adopt a constitutional or legislative property tax decrease with the effect

of reducing Tax Revenues and Housing Set-Aside 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 Housing Set-Aside Revenues and adversely affect the security of the Bonds.

### **Development Risks**

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

### **Parity Debt**

The Indentures permits the issuance by the Agency of certain indebtedness which may have a lien upon the Tax Revenues and Housing Set-Aside Revenues, as the case may be, which is on a parity basis to the lien of the Bonds, if certain coverage tests are met (see “THE SERIES A BONDS – Parity Debt” and “THE SERIES B BONDS – Parity Debt” herein). These coverage tests involve, to some extent, projections of Tax Revenues and Housing Set-Aside Revenues, as the case may be. If such indebtedness is issued, the debt service coverage for the Bonds will be diluted below what it otherwise would be subject to under the coverage tests. 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 and Housing Set-Aside Revenues, as the case may be, could be less than projected, and the actual amount of Tax Revenues and Housing Set-Aside Revenues, as the case may be, may be insufficient to provide for the payment of debt service on the Bonds and such additional indebtedness.

### **Current Litigation**

There is no controversy or litigation now pending against the Agency or, to the knowledge of its officers, threatened, restraining or enjoining the sale, execution or delivery of the Bonds or the Indentures, or in any way contesting or affecting the validity of the Bonds or the

Indentures, or the ability of the Agency to receive and pledge the Tax Revenues as provided for in the Indentures.

### **Change in Law**

In addition to the other limitations on Tax Revenues and Housing Set-Aside Revenues described below, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues and Housing Set-Aside Revenues, as the case may be, 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 Housing Set-Aside Revenues, as the case may be, 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 under “Property Tax and Spending Limitations” for a discussion of how this measure or other initiative measures adopted by the California electorate could reduce Tax Revenues and Housing Set-Aside Revenues.

### **Levy and Collection**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and Housing Set-Aside Revenues, as the case may be, 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 make timely debt service payments. 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 is at least one fault 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. Past earthquakes have resulted in minimal damage to the infrastructure and property within the Project Area. 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 a 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 and Housing Set-Aside Revenues, as the case may be, that secure the Bonds.

A majority of the property within the Project Area is not within any designated flood plain areas.

### **Hazardous Substances**

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of hazardous substances 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 has 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 Gross Tax Revenues. The actual 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. See “THE PROJECT AREA – Assessment Appeals” herein for a discussion of historical assessment appeals in the Project Area.

### **State Budget**

The State of California faces significant budget issues for fiscal year 2006-07 and possibly beyond. In approving recent budgets, the State Legislature has enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each redevelopment agency’s tax increment, net of amounts due to other taxing agencies, to school districts for deposit in the Education Revenue Augmentation Fund



(“ERAF”). The amount required to be paid by a redevelopment agency was apportioned among all of the agency’s project areas collectively, rather than allocated to particular project areas.

ERAF transfers can be made from any legally available moneys of the Agency and are subordinate to debt service on the Bonds.

The State budget for Fiscal Year 2006-07 does not require an ERAF transfer of tax increment revenues by redevelopment agencies. Although the State’s voters approved a constitutional amendment on the November 2004 ballot (the “Local Government Initiative”), which purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, the Local Government Initiative does not purport to change existing law with respect to the State’s ability to transfer redevelopment agencies’ property tax revenues.

The Agency cannot predict whether the State Legislature will enact legislation impacting future Tax Revenues. Given the level of the State’s budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature.

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements for its various debt obligations, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). All of such websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.

The State’s projected budget deficits continue to be substantial and may lead to subsequent ERAF transfers or other actions which might reduce the Agency’s available Tax Revenues and the Agency’s ability to pay principal and interest on the Bonds. Prospective purchasers of the Bonds may wish to review information presented by the State at [www.dof.ca.gov](http://www.dof.ca.gov) (maintained by the State Department of Finance) and [www.lao.ca.gov](http://www.lao.ca.gov) (analysis by the State Office of the Legislative Analyst). The Agency does not prepare such information and cannot assume any responsibility for its accuracy, completeness or timeliness (or the continued accuracy of internet address information). Whether or not this information is accurate, complete or timely, prospective purchasers of the Bonds should observe that the posting or release of such information may change the perceived outlook for the Agency’s continued receipt of Tax Revenues and Housing Set-Aside Revenues, as the case may be, and thus the market price for the Bonds.

The State’s budget deficit has yet to be resolved and litigation is pending to challenge some of the measures already taken to reduce the deficit. Future legislation, litigation and other measures affecting the Agency’s receipt of Tax Revenues and Housing Set-Aside Revenues, as the case may be, in connection with the State budget situation cannot be predicted and may

materially and adversely affect the Agency's ongoing ability to pay principal and interest on the Bonds and Parity 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.

### **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 and Housing Set-Aside Revenues, as the case may be, received by the Agency from the Project Area. See "THE PROJECT AREA" herein for a discussion of the principal taxpayers of the parcels in the Project Area.

### **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.

### **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 the Bonds were issued, as a result of future acts or omissions of the Agency in violation of its covenants in the Indentures. 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 Indentures.

## PROPERTY TAXATION IN CALIFORNIA

### Property Tax Collection Procedures

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

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

**Collections.** Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

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

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

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Pledged Revenues may increase.

### **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 (1%) 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.

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 will reduce the 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 Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness 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.

## **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 Tax Revenues as a result of general obligation bonds which may be approved on or after January 1, 1989.

## **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 and pension liability are also applied to 100% of assessed value.

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

## **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. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

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

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. In addition, the Agency cannot predict the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies, although the Agency does not expect any transfer to have a material adverse affect on Tax Revenues. The Agency is not currently receiving any unitary revenue.

### **Appeals of Assessed Values**

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

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn.

The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"),

the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well.

Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the Agency’s tax increment attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “THE PROJECT AREA – Largest Local Secured Taxpayers” for information regarding the assessed valuations of the top ten property owners within the Project Area.

## THE AGENCY

### General

The Agency was activated on August 14, 2004 by the City Council of the City with the adaptation of Ordinance No. 2003-018, pursuant to the Law. The five members of the City Council serve as the governing body of the Agency, and exercise all the right, 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. The Agency’s goals and objectives for the City, and in particular, for the Project Area are to eliminate such conditions of blight by providing needed public improvements, to encourage rehabilitation and repair of deteriorated structures, to facilitate land assembly and development which will result in employment opportunities and an expanded tax base, and to promote development in accordance with the General Plan of the City.

### Agency Members

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

| <u>Name and Office</u>                | <u>Term Expiration</u> |
|---------------------------------------|------------------------|
| Chris Crifasi, <i>Chair</i>           | December, 2008         |
| Kathy Anaya, <i>Vice Chair</i>        | December, 2008         |
| Sandra Benitez, <i>Board Member</i>   | December, 2010         |
| Virginia Madueño, <i>Board Member</i> | December, 2008         |
| Dave White, <i>Board Member</i>       | December, 2010         |



## **Agency Powers**

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

The Agency exercises all of the governmental functions authorized under the Act and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right of eminent domain, subject to certain limitations imposed by the Redevelopment Plan, and the power to issue bonds or borrow the proceeds of bonds and expend the proceeds for any purpose permitted by the Act. The Agency can clear buildings and improvements, can develop as a building site any real property owned or acquired, and in connection with such development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency may, 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.

## **The Statutory Pass-Throughs**

Changes to the Law enacted in 1994 established a formula for the distribution of future tax increments to other taxing agencies that collect taxes from the Project Area. Generally speaking, under AB 1290, the Agency is to pay to the Taxing Agencies listed in table 5 set forth below a certain percentage of Incremental Tax Revenues generated in the Project Area, in accordance with the following formula (the “Pass-Through Revenues”):

1. throughout the term of the Project’s eligibility to receive Tax Revenues, 25% of post set-aside Incremental Tax Revenues; plus,
2. for the eleventh year of the receipt of Tax Revenues and thereafter, 21% of post set-aside Incremental Tax Revenues in excess of tenth year Incremental Tax Revenue; plus,
3. for the thirty-first year of the receipt of Tax Revenues and thereafter, 14% of post set-aside Incremental Tax Revenues in excess of thirtieth year Incremental Tax Revenues.

The Taxing Agencies eligible to receive Incremental Tax Revenues are illustrated in Table 5 below.

**Table 5**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>THE STATUTORY PASS-THROUGHS</b>       |  |                              |
|--|--|------------------------------|
| <u>Taxing Agency</u>                     | <u>% Share of<br/>Pass-Through<br/>Revenue</u> | <u>Type of Taxing Agency</u> |
| City of Riverbank                        | 17%  | General District             |
| Stanislaus County Office of Education    | 6%   | General District             |
| Yosemite Community College District      | 7%   | General District             |
| Eastside Mosquito Abatement District     | .9%  | General District             |
| Stanislaus Consolidated Fire             | 6%   | General District             |
| Oakdale Irrigation District              | .4%  | Instructional                |
| Sylvan Union School District             | 1%   | Instructional                |
| Modesto City Schools                     | 1%   | Instructional                |
| Stanislaus County Fire                   | .7%  | General District             |
| Riverbank Unified School District        | 38%  | General District             |
| Stanislaus County Chief Executive Office | 22%  | General District             |

*Source: The Fiscal Consultant*

**Statement of Direct and Overlapping Debt**

Set forth below in table 6 is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated as of February 1, 2007. The Debt Report is included for general information purposes only. The Agency has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Agency in whole or in part. Such long-term obligations generally are not payable from revenues of the Agency (except as indicated) nor are they necessarily obligations secured by land within the Agency. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

**Table 6**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

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**STATEMENT OF DIRECT AND OVERLAPPING DEBT**

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2006-07 Assessed Valuation:       \$559,931,965  
Base Year Valuation:                428,395,458  
Incremental Assessed Valuation:   \$131,536,507

| <u>DIRECT DEBT:</u>               | <u>% Applicable</u> | <u>Debt 2/1/07</u> |
|-----------------------------------|---------------------|--------------------|
| 2007 Revenue Tax Allocation Bonds | 100. %              | \$ <u>-</u> (1)    |
| <b>TOTAL DIRECT DEBT</b>          |                     | <b>\$ 0</b>        |

Ratio to Incremental Valuation:   - %

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>           |         |                    |
|---|---------|--------------------|
| Riverbank Unified School District                     | 62.422% | \$6,804,303        |
| Modesto High School District                          | 0.110   | 79,039             |
| Sylvan Union School District                          | 0.394   | 32,722             |
| City of Riverbank Parkview Estate Assessment District | 70.370  | <u>489,625</u>     |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>      |         | <b>\$7,405,689</b> |

| <u>OVERLAPPING GENERAL FUND DEBT:</u>                               |        |                    |
|---|--------|--------------------|
| Stanislaus County Certificates of Participation                     | 1.195% | \$1,359,791        |
| Stanislaus County Pension Obligations                               | 1.195  | 752,551            |
| Stanislaus County Office of Education Certificates of Participation | 1.195  | 65,725             |
| Yosemite Community College District Certificates of Participation   | 0.874  | 115,849            |
| Modesto High School District Certificates of Participation          | 0.095  | 6,733              |
| Sylvan Union School District Certificates of Participation          | 0.323  | <u>888</u>         |
| <b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>                          |        | <b>\$2,301,537</b> |

COMBINED TOTAL DEBT \$9,707,226 (2)

- (1) Excludes issue to be sold.  
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:  
Total Direct and Overlapping Bonded Debt ..... 1.73%

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

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*Source: California Municipal Statistics, Inc.*

## **Housing Set-Aside**

In accordance with Section 33334.2 of the Law, not less than twenty percent (20%) of all taxes which are allocated to the Agency shall be used by the Agency for purposes of improving, increasing and preserving the City's supply of housing for persons and families of low or moderate income. This requirement is applicable unless the Agency makes the finding that:

1. No need for such housing exists in the City;
2. Less than twenty percent (20%) is sufficient to meet such housing needs of the City; or

3. A substantial effort is presently being carried out with other funds (either local, State or federal) and that such efforts are equivalent in impact to twenty percent (20%) of all taxes which are allocated to the Agency. Both the "no need" finding (item 1 above) and the "less than 20% finding" (item 2 above) must apply to very low income as well as low and moderate income households, must be consistent with the housing element of the community's general plan and the annual report of its planning agency, and do not become effective until after certain filings have been made with the State Department of Housing and Community Development ("HCD"). Neither finding can be made unless the housing element is in proper form and up to date and has been filed with HCD. The "equivalent effort" finding (item 3 above) must apply to the community's share of regional housing needs as well as its own existing and projected needs. After June 30, 1993, no agency may make this finding unless it can show evidence that it is required in order to meet contractual obligations to bondholders or other private entities incurred prior to May 1, 1991 and made in reliance on the ability to make the finding. Funds available from the twenty percent (20%) requirement may be used 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. See "THE PROJECT AREA – Limitations and Requirements of the Redevelopment Plan." The Law also permits agencies with more than one project area to set aside less than twenty percent (20%) of the taxes allocated to the agency from one project area if the difference is made up from another project area in the same year and if the agency and the legislative body of the community find that such use of funds will benefit such other project area.

## **Factors Affecting Redevelopment Agencies Generally**

Other features of California law which bear on redevelopment agencies include general provisions which require public agencies to let contracts for construction only after competitive bidding. The Law provides that construction in excess of \$5,000 undertaken by the Agency shall be done only after competitive bidding. California statutes also provide for offenses punishable as felonies which involve direct or indirect interest of a public official in a contract made by such official in his official capacity. In addition, the Law prohibits any Agency or City official or employee who, in the course of his duties, is required to participate in the formulation or approval of plans or policies, from acquiring any interest in property in the Project Area. Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings. California also has strict laws regarding public

meetings (known as the Ralph M. Brown Act) which generally makes all Agency and City meetings open to the public.

Section 33675 of the Law provides for the filing not later than the first day of October of each year with the County Auditor of a statement of indebtedness certified by the chief fiscal officer of the Agency for each redevelopment plan which provides for the allocation of taxes. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the Agency has incurred or entered into which is payable from tax increment.

Section 33675 also provides that payments of tax increment revenues from the County Auditor to the Agency may not exceed the amounts shown on the Agency's statement of indebtedness. The Section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the Agency, but that the County Auditor may dispute the amount of indebtedness shown on the statement in certain cases and the disputed amount may be withheld from allocation and payment to the Agency. Provision is made for time limits under which the dispute can be made by the County Auditor as well as provisions for a 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. Payments to a trustee under a bond indenture or indenture or payments to a public agency in connection with payments by such public agency pursuant to a bond issue shall not be disputed in any action under Section 33675.

## **THE REDEVELOPMENT PLAN**

### **General**

The Redevelopment Plan for the Riverbank Reinvestment Project (the "Redevelopment Plan") was approved by Ordinance No. 2005-010 adopted by the City Council of the City on June 27, 2005. The Project Area consists of approximately 1,230 acres or about 47% of the total land area within the City limits. The Project Area includes the Riverbank downtown and other commercial, industrial and residential land uses. Residential uses comprise approximately 529 acres of land; commercial uses 60 acres; and industrial uses 129 acres. The balance of the acreage is represented by public uses, streets, mixed use development and vacant land.

Fiscal year 2004-05 is the Agency's "Base Year" for calculating tax increment. The 2006-07 fiscal year will be the first year that the Agency is eligible to receive tax increment. The total assessed value in the Project Area for the Base Year 2004-05 is approximately \$431,581,275. The total assessed value in the Project Area for the 2006-07 fiscal year is approximately \$559,618,839. This provides an incremental tax value over Base Year of approximately \$128,037,564. See "THE REDEVELOPMENT PLAN" and "THE PROJECT AREA" herein.

The Redevelopment Plan describes the boundaries of the Project Area, contains a general statement of the objectives of the 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 describes how the Redevelopment Plan effectuates the purposes of the Act 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 objectives of the Redevelopment Plan are to eliminate or alleviate flooding resulting from subdivision of land without regard to topographical and soil conditions, to provide flood control facilities which cannot be provided without redevelopment, to provide adequate public improvements to promote the health, safety and welfare of the City's inhabitants, and to eliminate economic dislocation, deterioration and disuse caused by improper land subdivision. The Redevelopment Plan proposes to eliminate and prevent the spread of blight in the Project Area by the acquisition of real property by purchase, devise, gift or condemnation; the combination of parcels and site preparation; the extension of preferences to certain businesses to re-enter the Project Area; the demolition, rehabilitation or improvement of existing structures; the dedication of streets and other areas for public street purposes; the increase in and improvement of the community's supply of housing; the management of properties acquired by the Agency; and the installation and construction of streets, sidewalks, curbs, gutters, storm drains, medians, overcrossings, parking facilities, utilities and other public improvements.

### **Limitations and Requirements of the Redevelopment Plan**

Pursuant to the Redevelopment Plan, the total amount of outstanding bonded indebtedness incurred by the Agency, payable from tax increment revenues, which can be outstanding at any one time, cannot exceed \$140,000,000.

In accordance with State Law, unless certain findings are made, not less than twenty percent (20%) of tax increment revenues allocated to the Agency from the Project Area shall be used for the purpose of increasing, improving and preserving the supply of housing for families of low or moderate income. See "THE AGENCY – Housing Set-Aside."

The Redevelopment Plan also contains a provision that no loan, advance or indebtedness to finance, in whole or in part, the Project Area shall be established after a date twenty (20) years from the effective date of the Ordinance approving and adopting the Redevelopment Plan. The Redevelopment Plan expires on June 27, 2035 although the Agency can collect tax increment revenues from the Project Area to June 27, 2050.

### **Low and Moderate Income Housing Provisions**

The Redevelopment Plan provide that a portion of all taxes which are allocated to the Agency pursuant to the Act must be paid into a separate 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 Agency's 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 provide that the Agency may, in any year during which it owns property in a 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 a 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 Redevelopment Project.

### **Tax Rates**

Incremental Tax Revenues projected by the Agency 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 (1) as increasing property values reduce the override rate needed to be levied by the taxing entities to meet debt service and (2) 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.

See "THE PROJECT AREA – Projected Tax Revenues" herein for a discussion of the tax rate assumptions utilized by the Agency in projecting Tax Revenues.

## **THE PROJECT AREA**

### **General**

The Project Area contains approximately 1,230 acres, or about 47% of the total land within the City limits, and is largely developed with single-family residential, light industrial and commercial uses. The following table 7 illustrates the land use breakdown of secured property in the Project Area.

**Table 7**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>ASSESSED VALUATION AND PARCELS BY LAND USE</b> |  |                       |                           |
|---|--|-----------------------|---------------------------|
|   | 2006-07<br><u>Assessed Valuation<sup>(1)</sup></u> | <u>% of<br/>Total</u> | <u>No. of<br/>Parcels</u> |
| Residential                                       | \$389,814,540                                      | 69.66                 | 2,634                     |
| Commercial  | 74,394,585   | 13.29                 | 226                       |
| Industrial  | 48,603,648   | 8.69                  | 46                        |
| Vacant  | 7,299,357  | 1.30                  | 58                        |
| Other   | <u>1,741,418</u>                                   | <u>.31</u>            | <u>56</u>                 |
| <br>Total Secured                                 | <br>\$521,853,548                                  | <br>93.25%            | <br>3,020                 |
| Unsecured   | <u>37,765,291</u>                                  | <u>6.75%</u>          |                           |
| <b>Grand Total</b>                                | <b>\$559,618,839</b>                               | <b>100.00%</b>        |                           |

*Source: Fiscal Consultant*

The age and character of residential development vary widely. Architectural styles are mixed and reflect the changes in materials and development standards that have occurred over the years. Older residential neighborhoods are composed of mostly small, single-story dwelling with stucco exterior and composition shingle roofing, while newer residential developments typically cover more of the lot, contain two stories and development typically cover more of the lot, contain two stories and employ a wider variety of materials such as wood siding and tile roofing. Many of the newer residential projects consist of planned-unit developments and condominiums constructed on infill lots.

### **Major Property Owners**

The following table 8 sets forth the ten largest property taxpayers in the Project Area, based upon the 2006-07 locally assessed secured tax roll reported by the County Assessor. The aggregated assessed valuation of these property owners is approximately 14.82% of the net assessed valuation of property within the Project Area, based on a 2006-07 Project Area taxable value of \$559,618,839.



**Table 8**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**

| <b>MAJOR PROPERTY TAXPAYERS</b>                         |                         |                                   |                                 |
|---|-------------------------|-----------------------------------|---------------------------------|
| <u>Property Owner</u>                                   | <u>Type of Land Use</u> | <u>2006-07 Assessed Valuation</u> | <u>% of Total<sup>(1)</sup></u> |
| 1. Silgan Containers Manufacturing Corp. <sup>(2)</sup> | Industrial              | \$22,342,850                      | 3.99%                           |
| 2. California Fruit and Tomato Kitchens <sup>(3)</sup>  | Industrial              | 15,211,680                        | 2.72                            |
| 3. Galaxy Cinemas Riverbank                             | Movie Theater           | 9,650,389                         | 1.72                            |
| 4. JKB Homes Norcal Inc. <sup>(4)</sup>                 | Housing                 | 9,034,350                         | 1.61                            |
| 5. F&M Monschein Enterprises LP                         | Industrial              | 6,100,151                         | 1.09                            |
| 6. Sun Garden-Gangi Canning Company                     | Light Industrial        | 5,539,213                         | 0.99                            |
| 7. Riverbank Venture                                    | Industrial              | 4,706,991                         | 0.84                            |
| 8. Elvan Overholtzer                                    | Industrial              | 3,612,327                         | 0.65                            |
| 9. Setlif & Setlif Inc.                                 | Vacant Land             | 3,384,282                         | 0.60                            |
| 10. Bruce and Patricia L Bossow                         | Commercial              | <u>3,368,946</u>                  | <u>0.56</u>                     |
| Totals  |                         | \$82,951,179                      | 14.82%                          |

- (1) Based on 2006-07 Project Area taxable value of \$559,618,839.  
(2) This assessee has an appeal outstanding that could reduce taxable values by approximately \$7 million.  
(3) This assessee is no longer operating a business on this site. The property is located on the site owned by Sun Garden Gangi Canning Company.  
(4) Remaining unsold housing units.  
Source: Fiscal Consultant.

**Assessed Valuation**

The following table 9 sets forth the taxable assessed valuations for the Project Area and the Project Area tax increment revenues for the current and last four Fiscal Years. According to the Fiscal Consultant, the total net assessed valuation of the Project Area for Fiscal Year 2006-07 is \$559,618,839, an increase of approximately \$128,237,564 (29.73%) since the adjusted base year (2004-05) assessed valuation of \$431,581,275.

**Table 9**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>ASSESSED VALUATIONS AND TAX REVENUES</b> |                              |                  |                       |                            |                          |   |
|---|------------------------------|------------------|-----------------------|----------------------------|--------------------------|---|
| <u>Fiscal Year</u>                          | <u>Local Secured</u>         | <u>Unsecured</u> | <u>State Assessed</u> | <u>Total Taxable value</u> | <u>Percentage Change</u> | <u>Total Incremental Assessed value</u> |
| 2006-07                                     | 521,853,548                  | 35,788,840       | 1,976,451             | 559,618,839                | 29.73%                   | 128,237,564                             |
| 2005-06                                     | -----Data Not Available----- |                  |                       |                            |                          |   |
| 2004-05                                     | 395,987,833                  | 32,880,067       | 2,513,375             | 431,381,275                | N/A                      | N/A                                     |

Source: Fiscal Consultant

## Secured Tax Levy and Collections

Property tax collection statistics for the City or the Project Area are unavailable. Historically, delinquency rates within the City have been lower than delinquency rates for the County as a whole.

## Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the State Board of Equalization (SBE). Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property. Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to two percent (2%) annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, the Fiscal Consultant reviewed recently resolved and open appeals. While the outcome of pending appeals cannot be determined in advance, the Fiscal Consultant has estimated the assessed value reduction that may result from the pending appeals based on 50 percent of the applicants requested reduction. An analysis of historical appeals data showed little data upon which to derive any conclusions. Based on information provided by the Stanislaus County Assessment Appeals Board, the following represent the open appeals in the Project Area.

**Table 10**  
**RIVERBANK REDEVELOPMENT AGENCY**

| <b>OPEN APPEALS</b>                     |                                |   |  |   |  |
|---|--------------------------------|---|--|---|--|
| <u>Assessee</u>                         | <u>Original<br/>Roll Value</u> | <u>Applicant's<br/>Opinion<br/>of Value</u> | <u>Potential<br/>Value<br/>Reduction</u> | <u>Estimated<br/>Resolved<br/>Value</u> | <u>Estimated<br/>Valuation<br/>Reduction</u> |
| Silgan Containers                       | \$17,455,840                   | \$10,473,000                                | \$6,982,840                              | \$13,964,420                            | \$3,491,420                                  |
| Moya Rogello & Maria                    | 607,588                        | 334,534                                     | 273,054                                  | 471,061                                 | 136,527                                      |
| California Fruit &<br>Tomato Kitchens * | <u>15,211,680</u>              | <u>9,478,382</u>                            | <u>5,733,298</u>                         | ---N/A---                               | ---N/A---                                    |
| Totals                                  | \$33,275,108                   | \$20,285,916                                | \$12,989,192                             | \$14,435,481                            | \$3,627,947                                  |

\*Unsecured personal property appeal. The business is no longer operating on the site, value of the property has been deducted from the future tax increment projections.

Source: Fiscal Consultant

As shown above, there are three assesses that have outstanding appeals in the Project Area for 2006-07 fiscal year. If the applicants are successful, taxable values could be reduced by approximately \$13 million. Since the California Fruit & Tomato Kitchens has ceased operations, the Fiscal Consultant has assumed no impact from the appeal, but rather has reduced the tax increment projections for the total value of the leased property. For 2005, there were three appeals filed in the Project Area, all of which were withdrawn. The County was unable to provide the Fiscal Consultant with any information on the prior success of appeals in the Project Area for years prior to 2005. For purposes of the estimated resolved value shown above, the Fiscal consultant has assumed that the applicant would receive reductions equal to 50 percent of the requested reduction.

## **PROJECTED TAX INCREMENT REVENUES AND DEBT SERVICE COVERAGE**

### **In General**

The Agency's Fiscal Consultant has prepared the projections of Tax Increment Revenues for the Project Area as set forth in the Fiscal Consultant's Report. See "APPENDIX C – FISCAL CONSULTANT'S REPORT" for more detailed information on projected Tax Increment Revenues for the Project Area, including an explanation of the assumptions on which such projections are based.

Receipt of projected Tax Increment Revenues and Housing Set-Aside Revenues in the amounts and at the time projected by the Agency's Fiscal Consultant depends on the realization of certain assumptions relating the Tax Increment Revenues and Housing Set-Aside Revenues. The projections of Tax Increment Revenues and Housing Set-Aside Revenues shown in the Fiscal Consultant's Report are based on the assumptions described therein. Based upon the projected Tax Increment Revenues and Housing Set-Aside Revenues, the Agency expects sufficient funds should be available to the Agency to pay principal of and interest on the Bonds. Although the Agency believes that the assumptions upon which the projected Tax Increment Revenues and Housing Set-Aside Revenues are based are reasonable, the Agency provides no assurance that the projected Tax Increment Revenues and Housing Set-Aside Revenues will be realized. To the extent that the assumptions are not actually realized, the Agency's ability to timely pay principal and interest on the Bonds may be adversely affected.

### **Estimated Debt Service Coverage for the Series A Bonds**

The following table 11 summarizes projected Tax Revenues for the Project Area and estimated annual debt service coverage on the Series A Bonds. There can be no assurance that such projected Tax Revenues will be obtained. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, see "RISK FACTORS AND LIMITATIONS ON TAX REVENUES" herein.

**Table 11**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>ESTIMATED DEBT SERVICE COVERAGE FOR THE SERIES A BONDS</b> |                                |  |                          |
|---|--------------------------------|--|--------------------------|
| Period<br>Ending  | Debt<br>Service <sup>(1)</sup> | Estimated<br>Tax<br>Revenue <sup>(2)</sup> | Debt Service<br>Coverage |
| 2007  | Capitalized Interest           | 1,027,000                                  | --                       |
| 2008  | Capitalized Interest           | 1,194,000                                  | --                       |
| 2009  | 295,551                        | 1,403,000                                  | 4.75                     |
| 2010  | 821,101                        | 1,495,000                                  | 1.82                     |
| 2011  | 816,901                        | 1,588,000                                  | 1.94                     |
| 2012  | 817,736                        | 1,684,000                                  | 2.06                     |
| 2013  | 817,936                        | 1,781,000                                  | 2.18                     |
| 2014  | 817,481                        | 1,880,000                                  | 2.30                     |
| 2015  | 816,550                        | 1,982,000                                  | 2.43                     |
| 2016  | 820,000                        | 2,085,000                                  | 2.54                     |
| 2017  | 817,675                        | 2,190,000                                  | 2.68                     |
| 2018  | 819,775                        | 2,298,000                                  | 2.80                     |
| 2019  | 821,230                        | 2,408,000                                  | 2.93                     |
| 2020  | 816,710                        | 2,520,000                                  | 3.09                     |
| 2021  | 816,750                        | 2,634,000                                  | 3.22                     |
| 2022  | 819,000                        | 2,750,000                                  | 3.36                     |
| 2023  | 820,250                        | 2,869,000                                  | 3.50                     |
| 2024  | 820,500                        | 2,990,000                                  | 3.64                     |
| 2025  | 819,750                        | 3,113,000                                  | 3.80                     |
| 2026  | 818,000                        | 3,239,000                                  | 3.96                     |
| 2027  | 820,250                        | 3,368,000                                  | 4.11                     |
| 2028  | 821,250                        | 3,499,000                                  | 4.26                     |
| 2029  | 821,000                        | 3,633,000                                  | 4.43                     |
| 2030  | 819,500                        | 3,769,000                                  | 4.60                     |
| 2031  | 816,750                        | 3,908,000                                  | 4.78                     |
| 2032  | 817,750                        | 4,050,000                                  | 4.95                     |
| 2033  | 817,250                        | 4,195,000                                  | 5.13                     |
| 2034  | 820,250                        | 4,342,000                                  | 5.29                     |
| 2035  | 816,500                        | 4,493,000                                  | 5.50                     |
| 2036  | 821,250                        | 4,646,000                                  | 5.66                     |
| 2037  | 819,000                        | 4,803,000                                  | 5.86                     |

(1) Debt Service shown on a bond year basis

(2) From the Fiscal Consultant's Report

**Estimated Debt Service Coverage for the Series A Bonds**

The following table 12 summarizes projected Housing Set-Aside Revenues for the Project Area and estimated annual debt service coverage on the Series B Bonds. There can be no assurance that such projected Housing Set-Aside Revenues will be obtained. For a discussion of certain matters that will or could cause reductions in the Housing Set-Aside Revenues available in future years, see "RISK FACTORS AND LIMITATIONS ON TAX REVENUES" herein.

**Table 12**  
**RIVERBANK REDEVELOPMENT AGENCY**  
**(Stanislaus County, California)**  
**RIVERBANK REINVESTMENT PROJECT**

| <b>ESTIMATED DEBT SERVICE COVERAGE FOR THE SERIES B BONDS</b> |   |   |  |
|---|---|---|--|
| <u>Period</u><br><u>Ending</u>                                | <u>Debt</u><br><u>Service<sup>(1)</sup></u> | <u>Estimated</u><br><u>Housing Set-</u><br><u>Aside Revenue</u> | <u>Debt Service</u><br><u>Coverage</u> |
| 2007  | Capitalized Interest                        | 261,000   | --                                     |
| 2008  | Capitalized Interest                        | 304,000   | --                                     |
| 2009  | 73,839                                      | 356,000   | 4.82                                   |
| 2010  | 207,678                                     | 380,000   | 1.83                                   |
| 2011  | 205,398                                     | 404,000   | 1.97                                   |
| 2012  | 208,058                                     | 428,000   | 2.06                                   |
| 2013  | 205,458                                     | 453,000   | 2.20                                   |
| 2014  | 207,793                                     | 478,000   | 2.30                                   |
| 2015  | 204,905                                     | 504,000   | 2.46                                   |
| 2016  | 206,965                                     | 530,000   | 2.56                                   |
| 2017  | 203,778                                     | 557,000   | 2.73                                   |
| 2018  | 205,553                                     | 584,000   | 2.84                                   |
| 2019  | 207,113                                     | 612,000   | 2.95                                   |
| 2020  | 208,373                                     | 640,000   | 3.07                                   |
| 2021  | 204,413                                     | 669,000   | 3.27                                   |
| 2022  | 205,138                                     | 699,000   | 3.41                                   |
| 2023  | 205,625                                     | 729,000   | 3.55                                   |
| 2024  | 205,875                                     | 760,000   | 3.69                                   |
| 2025  | 205,888                                     | 791,000   | 3.84                                   |
| 2026  | 205,663                                     | 823,000   | 4.00                                   |
| 2027  | 205,200                                     | 856,000   | 4.17                                   |
| 2028  | 204,500                                     | 889,000   | 4.35                                   |
| 2029  | 208,250                                     | 923,000   | 4.43                                   |
| 2030  | 206,500                                     | 958,000   | 4.64                                   |
| 2031  | 204,500                                     | 993,000   | 4.86                                   |
| 2032  | 207,250                                     | 1,029,000   | 4.97                                   |
| 2033  | 204,500                                     | 1,066,000   | 5.21                                   |
| 2034  | 206,500                                     | 1,103,000   | 5.34                                   |
| 2035  | 208,000                                     | 1,142,000   | 5.49                                   |
| 2036  | 204,000                                     | 1,181,000   | 5.79                                   |
| 2037  | 204,750                                     | 1,221,000   | 5.96                                   |

- (1) Debt Service shown on a bond year basis  
(2) From the Fiscal Consultant's Report

## **THE AUTHORITY**

The Riverbank Public Financing Authority (the “Authority”) was created by a Joint Exercise of Powers Agreement, dated July 9, 1990, by and between the City and the Agency. Such Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Directors (the “Board”), which consists of the members of the City Council of the City of Riverbank. The Mayor acts as Chair of the Authority, the City manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Authority.

## **TAX MATTERS**

In the opinion of the Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, 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 interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assume 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 issuance of the Bonds may affect the value of, or the tax status of interest on the Bonds. 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 interest on, 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 interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from federal gross income, and is exempt from State of California personal income taxes, the

ownership or disposition of the Bonds, and the accrual or receipt of interest on the Bonds 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.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of Law Offices of Cameron A. Weist, Scotts Valley, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto. Copies of such approving opinion will be available at the time of delivery of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Agency by the Law Offices of Cameron A. Weist, Scotts Valley, California, as Disclosure Counsel, and by Agency General Counsel.

### **LITIGATION**

There is no action, suit or proceeding pending or, to the knowledge of the Agency and City officials, threatened, restraining or enjoining the execution or delivery of the Bonds or the Indentures, 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.

### **CONTINUING DISCLOSURE**

The Agency has covenanted to provide certain financial information and operating data by not later than nine months after the end of the Agency's Fiscal Year (presently June 30) in each year commencing with its report for the 2006-07 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. 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 E - FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Agency has never failed to comply in all material respects with any previous undertaking with respect to the Rule.

### **FINANCIAL ADVISOR**

Northcross, Hill & Ach is acting as Financial Advisor to the Agency. The Financial Advisor's services include consulting with and advising the Agency regarding the structure and technical details of the financing, providing the Agency with information regarding municipal bond market conditions and attending meetings and hearings at the Agency's request.

Northcross, Hill & Ach 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 Northcross, Hill & Ach, as Financial Advisor, Law Offices of Cameron A. Weist, as Bond and Disclosure Counsel and U.S. Bank National Association, as Trustee are contingent upon the execution and delivery of the Bonds.

## **RATINGS**

Standard & Poor's Rating Group has assigned an underlying rating of "BBB" to the Bonds. Such rating reflects only the view of such organization and an explanation of the significance of such rating may be obtained from them as follows: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, (212) 438-2774.

Generally, rating agencies base their ratings on such information and, materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance the rating will continue for any given period of time for the Bonds or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The Agency, Trustee and Underwriter have not undertaken a responsibility either to bring to the attention of the Owners the downward revision or withdrawal of any rating obtained, or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating 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 equal to (i) \$12,360,340.85 for the Series A Bonds (being the \$12,315,000 aggregate principal amount of the Series A Bonds, plus an original issue premium of \$205,435.85, less an Underwriter's Discount of \$160,095.00), and (ii) \$3,108,215.95 for the Series B Bonds (being the \$3,120,000 aggregate principal amount of the Series B Bonds, plus an original issue premium of \$28,775.95, less an Underwriter's Discount of \$40,560.00). The obligations of the Underwriter are subject to certain conditions precedent, and it 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 Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may re-allow 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. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract between the Agency and the Bond Owners or Beneficial Owners.

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.

## **RIVERBANK REDEVELOPMENT AGENCY**

By: /s/ Richard Holmer  
Executive Director

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## APPENDIX A

### SUMMARY OF THE INDENTURES

*The following is a brief summary of the provisions of the Indentures, and is supplemental to the summary of other provisions of such documents described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to such documents for full and complete statements of their respective provisions. All capitalized terms used but not otherwise defined in this Appendix will have the meanings assigned to such terms in the Indentures.*

*Except as may be indicated below, the following summary is applicable equally to the Series A Indenture and the Series B Indenture. References to “Bonds,” “Indenture,” “Trustee” and similar terms applicable to each Indenture are to be understood as referring to the respective series of Bonds or the respective Indenture in which such terms occur.*

#### **Definitions**

“Additional Revenues” means, as of the date of calculation, the amount of Tax Revenues which, as shown in a Consultant’s Report, 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 either (i) construction which has been completed but which is not then reflected on the tax rolls, or (ii) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. 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 in the future is estimated to increase above the assessed valuation of taxable property in the Project Area (as reported by an appropriate official of the County) as of the date on which such calculation is made.

“Agency” means the Riverbank Redevelopment Agency, a public body, corporate and politic, established under the Law.

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

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and Parity Bonds in such Bond Year, assuming that the Outstanding Serial Bonds or Parity Bonds are retired as scheduled and that the Outstanding Term Bonds or Parity Bonds are redeemed from sinking account payments as scheduled, (b) the principal amount (including principal and Accreted Value payable) of the Outstanding Serial Bonds or Parity Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds or Parity Bonds scheduled to be paid or redeemed from sinking account payments in such Bond Year, excluding the redemption premiums, if any, thereon.

“Authority” means the Riverbank Public Financing Authority, created by a Joint Exercise of Powers Agreement, dated July 9, 1990, by and between the City and the Agency.

“Bond Counsel” means the Law Offices of Cameron A. Weist, or any other 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 beginning on August 2 in any year and the next succeeding August 1 of each year; provided, however, that the first Bond Year will begin on the Closing Date and end on August 1, 2007.

“Bonds” means collectively, the Series A Bonds and Series B Bonds, issued pursuant to the Series A Indenture and Series B Indenture, respectively.

“Book-Entry Depository” will mean DTC or any successor as Book-Entry Depository for the Bonds, appointed pursuant to the Indenture.

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

“Chair” means the chair of the Agency appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Agency authorized by the Agency by resolution or Bylaw to perform the functions of the chair in the event of the chair’s absence or disqualification.

“City” means the City of Riverbank, California.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for an amount representing the purchase price of the Bonds by the original purchaser.

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

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

(a) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture or Parity Indenture, as applicable, to which such report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or

Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the Agency and the Trustee, acting as dissemination agent, dated as of February 1, 2007, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including but not limited to, any municipal bond insurance premiums, capitalized interest, the initial and first year annual administration fees and expenses of the Trustee, legal fees and expenses of the Trustee and the Agency, costs of printing or electronic dissemination of the Official Statement, arbitrage rebate, fees and expenses of financial consultants, and other fees and expenses set forth in a Written Request of the Agency.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means the County of Stanislaus, 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.

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

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

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

provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, redemption price or purchase price of any Parity Bonds but will not include any such instrument utilized to satisfy the Reserve Requirement.

“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.

“Debt Service Fund” means the Fund by that name established by the Indenture.

“DTC” will mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Executive Director” means the executive director of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution or by law to perform the functions of the executive director including, without limitation, any deputy executive director of the Agency or any designated Representative of the Executive Director.

“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.

“Fitch” means Fitch, Inc., its successors and assigns.

“Gross Tax Revenues” means taxes for each Bond Year (including all payments and reimbursements, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law as provided in the Reinvestment Plan.

“Hedged Bonds” means Bonds issued hereunder as Variable Rate Indebtedness for which a Qualified Swap Agreement has been entered into under which all of the following apply: (a) the term of the Qualified Swap Agreement is coterminous with the maturity of the Hedged Bonds, (b) the initial notional amount of the Qualified Swap Agreement is equal to the initial principal amount of the Hedged Bonds and the notional amount of the Qualified Swap Agreement reduces at the same times and in the same amounts as the scheduled payment of principal (whether at maturity or as a result of mandatory sinking account redemption) of the Hedged Bonds, (c) the Agency’s payment obligations under the Qualified Swap Agreement are based upon a fixed interest rate for the term thereof, and (d) the counterparty’s payment obligations under the Qualified Swap Agreement are not expected to deviate from the interest payments on the Hedged Bonds by more than 25 basis points as certified by the counterparty at the time of entering into the Qualified Swap Agreement.

“Housing Set-Aside Revenues” means amounts of Gross Tax Revenues that are required to be deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.3 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 Financial 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.

“Independent 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.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investor’s Service “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor’s Corporation “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressee and/or such other Services providing information with respect to the redemption of Bonds as the Agency may designate in a Written Request of the Agency filed with the Trustee.

“Interest Account” means the Account by that name established pursuant to the Indenture.

“Interest Payment Date” means August 1 and February 1 in any year in which Bonds are Outstanding, commencing August 1, 2007.

“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 Fund” means the fund by that name established pursuant to the Indenture and pursuant to Section 33334.3 of the Law and held by the Agency.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year. For purposes of such calculation, there will be excluded the principal of and interest on any Parity Bonds to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Agency unless such proceeds are released to the Agency as provided in the Indenture.

“Moody’s” means Moody's Investors Service, its successors and assigns.

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



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

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) 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 within the meaning of the Indenture (regardless of whether all Bonds will have been so paid or deemed to have been paid); and

(3) Bonds in lieu of or in substitution for which other Bonds will 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 any Supplemental Indenture or indenture relating to the issuance of Parity Bonds; but only if and to the extent that such Parity Bond Indenture is specifically authorized hereunder.

“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 the Indenture, including without limitation Credit Provider Reimbursement Obligations and Net Payments due under Qualified Swap Agreements (but excluding any Termination Payments thereunder).

“Participating Underwriter” will have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Pass-Through Agreements” means any such agreements executed by the Agency subsequent to the issuance of the Bonds. In connection with the calculation of Tax Revenues for purposes of issuing Parity Bonds, payments under the Pass-Through Agreements will be the maximum percentage of Tax Revenues payable to a taxing entity pursuant to such Pass-Through Agreements, regardless of whether such maximum percentage is in effect for that year or a future year.

“Permitted Investments” means if and to the extent permitted by law:

A. The following obligations are Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or
- (2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, including State and Local Government Series.

B. The following obligations to are 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
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- 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 rated “Aaa” by Moody’s and “AAA” by S&P 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
- Student Loan Marketing Association (SLMA)
- Tennessee Valley Authority (TVA)

(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 “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 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, “A-1” by S&P or “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;
- (5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including any such funds for which the Trustee or an affiliate provides investment advice or other services;
- (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 S&P and Moody’s 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; (Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Permitted Investments for annual appropriation lease transactions without the prior written approval of S&P.)
- (7) General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;
- (8) Investment agreements approved in writing by the Agency and supported by appropriate opinions of counsel, with notice to S&P; and
- (9) Repurchase agreements with any commercial bank, which has a long-term, unsecured rating of “A” or better by S&P and A2 or better by Moody’s, provided that (i) the term of such repurchase agreement is not greater than thirty years, (ii) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (iii) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 103% for those securities

defined in paragraphs (A) and (B)(1) above and 104% for those securities defined in paragraph (B)(2) above of the amount of cash transferred by the Trustee to the commercial bank under the repurchase agreement plus interest, (iv) failure to maintain the requisite collateral levels will permit the Trustee to liquidate the collateral immediately, (v) the repurchase securities are free and clear of any third-party lien or claim; and (vi) in the case of PSA Master Repurchase Agreements, there will have been delivered to the Trustee, the Authority and the Corporation an opinion of counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of the funds to be invested.

- (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.

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

“Value”, which will be determined as of the end of each month, means that the value of any investments will be calculated as follows:

- (a) For securities:
  - (1) the closing bid price quoted by Interactive Data Systems, Inc.; or
  - (2) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Agency whose valuation method consists of the composite average of various bid price quotes on the valuation date; or
  - (3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody’s and S&P and must be market makers in the securities being valued.
- (b) As to certificates of deposits and bankers acceptances: the face amount thereof, plus accrued interest; and
- (c) As to any investment not specified above: the value thereof established by prior agreement between the Agency and the Trustee.

“Plan Limit” means the limitation contained in the Reinvestment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Reinvestment Plan, as such limitation is prescribed by the Law.

“Principal Account” means the Account by that name established pursuant to the Indenture.

“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 August 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 “Reinvestment Project” means the undertaking of the Agency pursuant to the Reinvestment Plan, as amended, and the Law for the redevelopment of the Project Area.

“Project Area” or “Reinvestment Project Area” means the Project Area described in the Reinvestment Plan.

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

“Qualified Counterparty” means a party (other than the Agency or a party related to the Agency) who is the other party to a Qualified Swap Agreement and (1)(A) whose senior debt obligations (or whose credit support provider’s senior debt obligations) are rated at least equal to one or more of the following ratings assigned by the Rating Agencies: “AA-” from Fitch, “Aa3” from Moody’s or “AA-” from S&P, as applicable, as of the date of execution of the Qualified Swap Agreement, or (B) whose obligations under the Qualified Swap Agreement are guaranteed for the entire term of the Qualified Swap Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to one or more of the following ratings assigned by the Rating Agencies: “AA-” from Fitch, “Aa3” from Moody’s or “AA-” from S&P, as applicable, as of the date of execution of the Qualified Swap Agreement, or (C) whose obligations under the Qualified Swap Agreement are collateralized in such a manner as to obtain a rating at least equal to one or more of the following ratings assigned by the Rating Agencies: “AA-” from Fitch, “Aa3” from Moody’s or “AA-” from S&P, as applicable, as of the date of execution of the Qualified Swap Agreement and (2) who is otherwise qualified to act as the other party to a Qualified Swap Agreement under all applicable laws of the State; *provided that* upon the downgrade of such party to a Qualified Swap Agreement, any collateral posted to offset the Agency’s position will be in the following forms and amounts (expressed as a percentage the cost to the Agency of replacing the Qualified Swap Agreement): (i) cash, 100%; (ii) U.S. Treasury obligations maturing in less than two years, 102%; (iii) U.S. Treasury obligations maturing between two and ten years, 103%; or (iv) U.S. Treasury obligations maturing in more than ten years, 104%.

“Qualified Swap Agreement” means a Public Finance Contract, the Agency’s obligations to make Net Payments under which are payable from the Tax Revenues on a parity with the payment of other Parity Bonds and satisfying the conditions of Article III hereof, intended to place Parity Bonds or the applicable investments on the interest rate, cash flow or such other basis desired by the Agency.

“Rebate Account” means the Account by that name established and held by the Trustee pursuant to the Indenture.

“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.

“Redemption Fund” means the Fund by that name established by the Indenture.

“Redevelopment Fund” means the Redevelopment Fund established pursuant to the Indenture.

“Reinvestment Plan” or “Plan” means the Reinvestment Plan for the Riverbank Reinvestment Project, approved and adopted by Ordinance No. 2005-010 adopted on June 27, 2005, in accordance with the Law.

“Report” means a Report in writing signed by an Independent Certified Public Accountant, Independent Financial Consultant or Independent 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 Account” means the account by that name established pursuant to the Indenture.

“Reserve Account Surety” means a credit facility as defined under the Indenture.

“Reserve Requirement” means, as of any calculation date, an amount equal to Maximum Annual Debt Service; provided that with respect to any particular series of the Bonds or any Parity Bonds, the amount on deposit in the Reserve Account will not exceed the lesser of (i) the amount necessary to be deposited in the Reserve Account to make the amount on deposit therein equal to Maximum Annual Debt Service, (ii) ten percent (10%) of the proceeds derived from the sale of the Bonds or such Parity Bonds, and (iii) 1.25 times average Annual Debt Service due with respect to the Bonds or such Parity Bonds.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission; such other addresses and/or such other securities depositories as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

“Serial Bonds” means all of the Bonds other than the Term Bonds.

“Series A Indenture” means the Indenture of Trust, dated as of February 1, 2007, by and between the Agency and the Series A Trustee, and as it may be amended or supplemented by any Parity Bond Indenture adopted pursuant to the provisions hereof.

“Series B Bonds” means the series of Bonds issued pursuant to the Series B Indenture.

“Series B Indenture” means the Indenture of Trust, dated as of February 1, 2007, by and between the Agency and the Series B Trustee, as it may be amended or supplemented by any Parity Bond Indenture adopted pursuant to the provisions thereof.

“Series A Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States and authorized to accept and execute trust indentures of the character herein set out.

“Series B Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States and authorized to accept and execute trust indentures of the character set out in the Series B Indenture.

“Special Fund” means the Fund by that name established by the Indenture.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Corporation, its successors and assigns.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by 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 hereunder for the security of the Bonds.

“Supplemental Indenture” means any resolution, agreement or other instrument then in full force and effect which amends or supplements the Indenture, and which has been duly adopted or entered into by the Agency; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

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

“Tax Revenue Certificate” means a written certificate of the Agency identifying the amount of Tax Revenues shown on the records of the County Assessor to be received by the Agency in either the current Bond Year or the next Bond Year.

“Tax Revenues” means, except as provided below, moneys allocated to the Agency with respect to the Project Area following the Closing Date derived from (a) that portion of taxes levied upon assessable property within the Project Area allocated to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State

of California, or pursuant to other applicable State laws, and (b) reimbursements, subventions (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Sections 16110 *et seq.*, of the Government Code of the State of California), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes. “Tax Revenues” do not include: (i) statutory administrative fees payable to the County, (ii) amounts of such taxes which are required to be paid to other public agencies under any Pass-Through Agreements or Tax Sharing Statutes, unless subordinated to the payment of debt service on the Bonds or any Parity Debt, or (iii) the portion of such taxes which is required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Law.

“Tax Sharing Statutes” means the provisions of the Law, including but not limited to Section 33607.5 thereof, under which a taxing entity is entitled to receive any portion of the Tax Revenues by operation of such statutory provision.

“Termination Payment” means with respect to a Qualified Swap Agreement, the amount payable by the Agency as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

“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.

“Variable Rate Indebtedness” means any Parity Bonds, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

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

### **Execution of Bonds**

The Bonds will be executed on behalf of the Agency by the manual or facsimile signatures of its Chair (or its Executive Director) and its Secretary who are in office on the date of adoption of the Indenture or at any time thereafter, and the seal of the Agency will be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature will nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such Bond will be the proper officers of the Agency although at the nominal date of such Bond any such person will not have been such officer of the Agency.



Only such Bonds as will bear thereon a certificate of authentication in the form hereinbefore recited, manually executed and dated by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of the Trustee will be conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of the Indenture.

### **Transfer 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.

Whenever any Bond or Bonds will be surrendered for transfer the Agency will execute and the Trustee will deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations and of the same series and maturity. The Trustee will require the Owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Trustee may also require the Owner requesting such registration of transfer to pay a reasonable sum as may be necessary to cover any customary expenses incurred and fees charged by the Trustee or the Agency with respect to such registration of transfer.

No transfers of Bonds will 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.

### **Exchange of Bonds**

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. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Trustee may also require the Owner requesting such exchange to pay a reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Trustee or the Agency with respect to such exchange.

No exchanges of Bonds will 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.

### **Bond Register**

The Trustee will keep or cause to be kept at its Principal Corporate Trust Office sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the Agency during normal business hours upon reasonable notice; and upon presentation for such purpose the Trustee will, under such reasonable regulations as it may

prescribe, register or transfer or cause to be registered or transferred, on said books Bonds as hereinbefore provided.

### **Temporary Bonds**

The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denominations as may be determined by the Agency, and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Agency upon the same conditions and in substantially the same manner as the definitive Bonds.

If the Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee will deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations and of the same Bond maturity or maturities. Until so exchanged the temporary Bonds will be entitled to the same benefits pursuant to the Indenture as definitive Bonds authenticated and delivered hereunder.

### **Bonds Mutilated, Lost, Destroyed or Stolen**

If any Bond will become mutilated the Agency, at the expense of the Owner of said Bond, will execute and the Trustee will 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. Every mutilated Bond so surrendered to the Trustee will be canceled by it. If any Bond will 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 will be given, the Agency, at the expense of the Owner, will execute and the Trustee will 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. The Agency may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds issued pursuant to the Indenture.

### **Cancellation of Bonds**

All Bonds properly surrendered to the Trustee for payment upon maturity or for redemption will upon payment therefor or redemption thereof be canceled immediately as more particularly provided in the Indenture.

## **CUSIP Numbers**

“CUSIP” identification numbers will be imprinted on the Bonds, but such numbers will not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto will not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Agency to use such CUSIP numbers in any notice to Owners will not constitute an Event of Default or any violation of the Agency’s contract with such Owners and will not impair the effectiveness of any such notice.

## **Establishment and Maintenance of Redevelopment Fund**

The Indenture establishes with the Agency a special trust fund called the “Redevelopment Fund,” which will be held and administered by the Agency in accordance with the Indenture. The Agency will deposit in the Redevelopment Fund the amounts described in the Indenture. All such proceeds and all investment earnings thereon will be disbursed and expended for eligible costs of the Project, including payment of Costs of Issuance.

## **Establishment of Costs of Issuance Fund**

The Indenture establishes a special fund to be known as the “Costs of Issuance Fund” (the “Costs of issuance Fund”), which will be held by the Trustee. The moneys deposited in the Costs of Issuance Fund will be applied by the Trustee to the payment of Costs of Issuance as directed by a Written Request of the Agency. Any moneys remaining in the Costs of Issuance Fund on August 1, 2007, will be transferred to the Agency for deposit in the Redevelopment Fund. Thereafter, the Costs of Issuance Fund will be closed and all further responsibility for payment of Costs of Issuance will belong solely to the Agency.

## **Pledge of Tax Revenues**

The Bonds will be secured by a pledge (which pledge will be effected in the manner and to the extent hereinafter provided) 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, on a pro rata basis with the lien of any Parity Bonds. Tax Revenues will be initially allocated solely to the payment of the principal and interest, and redemption premium, if any, of the Bonds and any Parity Bonds and to the Reserve Account for the purposes set forth in the Indenture; provided that out of the Tax Revenues there may be apportioned such amounts for such other purposes as are expressly permitted by the Indenture. The pledge and allocation of Tax Revenues is for the exclusive benefit of the Bonds and any Parity Bonds and will 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 will own them from time to time, the Indenture will be deemed to be and will constitute a contract between the Agency and the Owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed on behalf of the Agency will 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 herein.

### **Special Fund; Deposit of Tax Revenues**

The Indenture establishes a special fund to be known as the “Series 2007 Special Fund,” which will be held by the Trustee hereunder in trust. The Agency will transfer all of the Tax Revenues received in any Bond Year to the Trustee for deposit in the Special Fund promptly upon receipt by the Agency, on a parity basis with deposits required by the Indenture; provided that the Agency will not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts on deposit in the Special Fund (including investment earnings) exceeds the amounts required to be transferred by the Trustee for deposit in the Interest Account, Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture. Any amounts held in the Special Fund which are in excess of the amounts needed to be deposited into such Accounts will be transferred by the Trustee to the Agency. 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 pursuant to the Indenture will be released from the pledge and lien hereunder and may be used for any lawful purpose of the Agency.

All Tax Revenues and any other amounts at any time paid by the Agency and designated in writing for deposit in the Special Fund will be held by the Trustee solely for the uses and purposes hereinafter set forth in this Article V. So long as any of the Bonds are Outstanding, the Agency will not have any beneficial right or interest in the Tax Revenues, except only as provided in the Indenture, and such moneys will be used and applied as herein set forth.

Anything to the contrary herein notwithstanding, the Special Fund, together with the Special Fund established pursuant to the Indenture and any Parity Bond Indenture hereafter executed, constitutes a common fund which will be available to pay Debt Service on all Bonds and Parity Bonds on a pro rata basis.

### **Establishment and Maintenance of Accounts**

The Indenture establishes with the Trustee a special trust fund called the “Debt Service Fund” with special trust accounts contained therein, known as the “Interest Account,” the “Principal Account” and the “Reserve Account.”

Anything to the contrary herein notwithstanding, the Debt Service Fund (and accounts therein), together with the Debt Service Fund (and accounts therein) established pursuant to the Indenture and any Parity Bond Indenture hereafter executed, constitutes a common fund which will be available to pay Debt Service on all Bonds and Parity Bonds on a pro rata basis.

Moneys in the Special Fund will be transferred by the Trustee in the following amounts, at the following times, for deposit in the following respective accounts within the Debt Service Fund, in the following order of priority:

(a) Interest Account. On or before the fifth (5th) Business Day prior to each Interest Payment Date, the Trustee will deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date (including an amount, if any, transferred from the Redevelopment Fund or deposited therein pursuant to the Indenture), will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fifth (5th) Business Day prior to each Principal Payment Date, the Trustee will deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds on such Principal Payment Date. The Trustee will also deposit in the Principal Account any other amounts received by it from the Agency designated by the Agency in writing for deposit in the Principal Account. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it will become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee, upon receipt of actual knowledge thereof, will promptly notify the Agency of such fact. Promptly upon receipt of actual knowledge of such deficiency, the Agency will transfer to the Trustee from available Tax Revenues an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there will not then be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will be obligated to continue making transfers as Tax Revenues become available until there is an amount equal to the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there will be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn by the Trustee from the Reserve Account semiannually on or before the fifth (5th) Business Day preceding each Interest Payment Date and deposited in the Interest Account. The Trustee will value the moneys and securities on deposit in the Reserve Account semi-annually at least five (5) Business Days prior to each Interest Payment Date. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be

withdrawn from the Reserve Account and will be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency will have caused to be deposited in the Special Fund an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit in the Redevelopment Fund.

The Agency reserves the right to substitute, at any time and from time to time, without the consent of the Owners, one or more letters of credit, or other form of guarantee, or surety bonds or bond insurance policies issued by companies the long-term obligations of which are then rated not less than “Aaa” by Moody's and “AAA” by S&P, and if rated by A.M. Best & Company (a “Reserve Account Surety”), are also rated in the highest rating category by A.M. Best & Company, in lieu of or in substitution for or in place of all or any portion of the moneys then constituting the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes hereof. Upon deposit by the Agency with the Trustee of any such letter of credit, surety bond, bond insurance policy or other form of guarantee, the Trustee will withdraw from the Reserve Account and transfer to the Agency for deposit in the Redevelopment Fund moneys in an amount equal to the maximum limits or principal, as applicable, of such letter of credit, surety bond, bond insurance policy or other form of guarantee.

So long as a Reserve Account Surety is on deposit in the Reserve Account, the Trustee will draw upon it in accordance with its terms in order to comply with the Indenture. Any amounts owed by the Agency to the provider of a Reserve Account Surety will be paid after the payments provided the Indenture but before replenishment of any cash on deposit in the Reserve Account and being held for the benefit of the Bonds pursuant to the Indenture. Draws on a Reserve Account Surety will be made after use of any available cash on deposit in the Reserve Account. Any payments due to the provider of a Reserve Account Surety will be secured by Tax Revenues *pari passu*, and made on a pro rata basis, with payments which may be due the provider of any Reserve Account Surety on deposit in the Reserve Account established pursuant to the Indenture (all such payments to be made only after any transfers pursuant to the Indenture).

Anything to the contrary herein notwithstanding, the Reserve Account, together with the reserve accounts established with respect to any Parity Bonds hereafter issued pursuant to a Supplemental Indenture, constitute a common reserve which in the aggregate will be maintained at the Reserve Requirement and which will be available to pay debt service on all Bonds and such Parity Bonds on a pro rata basis.

(d) Surplus. Except as may be otherwise provided in the Indenture or any Parity Bond Indenture, the Agency will 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 pursuant to the Indenture. In the event that for any reason whatsoever any amounts will remain on deposit in the Special Fund on any August 2 after making all

of the transfers theretofore required to be made pursuant to the preceding clauses (a) through (c) and pursuant to the Indenture and any Parity Bond Indenture, the Trustee will transfer such amounts to the Agency for use for any lawful purpose.

### **Redemption Fund**

The Redemption Fund will be held by the Trustee. On or before the Business Day preceding any date on which the Bonds are to be redeemed pursuant to the Indenture the Agency will deposit with the Trustee for deposit in the Redemption Fund an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed pursuant to such Section of the Indenture. All moneys in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 4.01 of the Indenture on the date set for such redemption.

### **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 herein contained will 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 will be extended or funded whether or not with the consent of the Agency, such claim for interest so extended or funded will not be entitled, in case of default hereunder to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which will not have been so extended or funded.

### **Against Encumbrances**

Except for Parity Bonds issued in accordance with the Indenture, 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 will 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 will 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 will become due. Nothing herein contained will require the Agency to make any such payment so long as the Agency in good faith will 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 Reinvestment Project or any part thereof.

## **Compliance with Law, Completion of Reinvestment Project**

The Agency will comply with all applicable provisions of the Law in completing the Reinvestment 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 Reinvestment Project and the Reinvestment Project will be accomplished and completed in a sound and economical manner and in conformity with the Reinvestment Plan and the Law.

## **Financial Statements**

The Agency will cause to be prepared and filed with the Trustee annually, within two hundred and seventy (270) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Redevelopment Fund and the financial condition of the Project, including the balances in all funds and accounts relating to the Reinvestment Project, as of the end of such Fiscal Year.

## **Taxation of Leased Property**

Whenever any property in the Project Area is redeveloped by the Agency subsequent to the date of the Indenture and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project Area to any person or persons for redevelopment (except for property to be used for public streets or public off street parking facilities or easements or rights of way for public utilities, or other similar uses), the property will be assessed and taxed-in the same manner as privately-owned property (in accordance with



the Law), and the lease or contract will provide (i) that the lessee will pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (ii) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease will be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee will pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments will be treated as Tax Revenues and will be deposited by the Agency as required by the Indenture; provided that the Agency may disregard this covenant to the extent Tax Revenues after any such lease transaction will remain at least one hundred and twenty five percent (125%) of Maximum Annual Debt Service based on a Report of an Independent Redevelopment Consultant. For purposes of such conclusion, Tax Revenues will be calculated using a tax rate of one percent (1%) in the same manner as required for the issuance of Parity Bonds.

### **Disposition of Property**

The Agency will not participate in the detachment of any land or real property from the Project Area or authorize the disposition (to the extent it has control over such disposition) of any land or real property in the Project Area which will result in such property becoming exempt from taxation because of public ownership or use or otherwise so that such detachment or disposition will cause Tax Revenues to be less than one hundred and twenty five percent (125%) of Maximum Annual Debt Service based on a Report of an Independent Redevelopment Consultant (for this purpose, Tax Revenues will be calculated using a tax rate of one percent (1%) in the same manner as required for the issuance of Parity Bonds).

### **Tax Revenues**

The Agency will 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) appropriate officials of the State of California. The Agency will not amend the Reinvestment Plan or enter into any agreement (including Pass-Through Agreements) with the County or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds, unless in the written opinion of an Independent Financial Consultant filed with the Trustee, Tax Revenues after execution of such amendment or agreement will remain at least one hundred and twenty five percent (125%) of Maximum Annual Debt Service. For purposes of such conclusion, Tax Revenues will be calculated using a tax rate of one percent (1%) in the same manner as required for the issuance of Parity Bonds.

### **Use of Proceeds**

The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and the Law.

## **Further Assurances**

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

## **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, will 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 (as defined in the Indenture) 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 Bondowners.

### **Limit on Indebtedness**

The Agency covenants with the Owners of all of the Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Bonds) previously entered into by the Agency, would exceed the then-effective Plan Limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Law and the Reinvestment Plan. The Agency will annually certify, in the form set forth as Appendix B hereto, within ninety (90) days following the end of each Fiscal Year, that the sum of (1) all Tax Revenues allocated to the Agency on behalf of the Project Area to the end of such Fiscal Year, and (2) debt service on all Outstanding obligations of the Agency, is less than 90% of the Plan Limit. If the sum is greater than or equal to 90% of the Plan Limit, all subsequent Tax Revenues not otherwise pledged for payment of Debt Service on Outstanding obligations of the Agency will be deposited in an escrow with the Trustee to be applied annually, at the earliest possible dates, to the optional redemption of the Bonds and Parity Bonds until no Bonds or Parity Bonds remain Outstanding. The funds in such escrow can only be used to pay such Debt Service. Tax Revenues may be released from the escrow if an Independent Certified Public Accountant verifies that the remaining escrowed funds will be sufficient to pay Debt Service on the Bonds after the release. Amounts on deposit in such the escrow will be invested in Federal Securities.

### **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 will not be considered an event of default hereunder; 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 under the Indenture.

### **Very Low, Low or Moderate Income Housing Support**

The Agency covenants that it will comply with the requirements set forth in section 33334.2 of the Law regarding the use of Housing Set-Aside Revenues, subject to any limitation set forth in the Indenture and the Law. The Agency covenants that it will take no action

pursuant to Section 33334.2 of the Law that would reduce the amount of the Housing Set-Aside Revenues.

### **Duties, Immunities and Liabilities of Trustee**

(a) The Trustee will, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee will only be obligated to perform such duties as are expressly set forth herein, and no duties or obligations not expressly set forth herein will be implied. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), 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.

(b) The Agency may remove the Trustee at any time, unless an Event of Default will have occurred and then be continuing. The Agency will remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) if at any time the Trustee will cease to be eligible in accordance with the Indenture, or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property will be appointed, or any public officer will 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 will be accomplished by the giving of written notice of such removal by the Agency to the Trustee, whereupon in the case of the Trustee, the Agency will appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving 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 will promptly appoint a successor Trustee by an instrument in writing. The Trustee will not be relieved of its duties until such successor Trustee has accepted such appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself and all other Bondowners), at the expense of the Agency, may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon and upon receipt by the predecessor Trustee of all fees and expenses due and payable to it, such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Agency or the request of the successor

Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Agency will mail a notice of the succession of such Trustee hereunder to each rating agency which then has a current rating on the Bonds, if any, and to the Bondowners at their respective addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee will be a corporation or other entity organized and doing business under the laws of any state, the District of Columbia or the United States of America, authorized under such laws to exercise corporate trust powers, which will have (or, in the case of a corporation included in a bank holding company system, the related bank holding company will have) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding. If such corporation or other entity publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such corporation or other entity will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

### **Deposit and Investment of Moneys in Fund**

Moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account, the Redevelopment Fund and the Redemption Fund will be invested by the Trustee and Agency, as applicable, in Permitted Investments as specified by the Treasurer of the Agency, and will 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 will not have a maturity of more than five (5) years, unless such investment can be redeemed at par at any time amounts so invested are required pursuant to the Indenture. In the absence of any such direction provided by the Treasurer of the Agency, the Trustee will invest any such moneys in Permitted Investments described in clause (B)(5) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder.

Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred

by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (other than with respect to funds held by the Agency) will 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 will 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 will be valued at market value, exclusive of accrued interest. Except as provided in the Indenture with respect to the reserve Fund, the Trustee will perform such valuation (i) at the end of each month, and (ii) upon any draw on the Reserve Account. If amounts on deposit in the Reserve Account will, at the time of valuation, be less than the Reserve Requirement, the Reserve Account will be valued monthly until amounts on deposit therein equal the Reserve Requirement. In making any valuations of Permitted Investments, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting systems and conclusively rely thereon.

For purposes of acquiring any investments hereunder, the Trustee may in its discretion commingle funds held by it hereunder. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment, and will be entitled to its customary fee. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments credited to such fund or account will be valued by the Trustee, as set forth in the definition of Permitted Investments.

### **Accounting Records and Financial Statements**

The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to the Indenture. Such books of record and account will be available for inspection by the Agency at reasonable hours, upon reasonable notice and under reasonable circumstances. The Trustee will furnish to the Agency, at least monthly, an accounting of all transactions relating to the proceeds of the Bonds and all funds and accounts established pursuant to the Indenture, which may be in the form of the Trustee's regular monthly statement.

### **Amendment of Indenture**

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended by the Agency at any time by the execution of a Supplemental Indenture and pursuant to (i) the affirmative vote at a meeting of Bond Owners as provided in the Indenture, or (ii) 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 the Indenture. Any such Supplemental Indenture will become effective upon the execution and delivery thereof by the parties thereto and of the requisite number of Bond Owners pursuant to the Indenture, as applicable. No such modification or amendment will (1) extend the Principal Payment Date 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 written consent of the Owner of such Bond, (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 expressly permitted by the Indenture), (3) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or (4) modify any of the rights or obligations of the Trustee without its written consent thereto. Notwithstanding the provisions of the Indenture, the Agency, with the consent of the affected Owner of a Bond or Parity Bond but without notice to or the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding as provided in (ii) or (iii) above, may modify or amend the Indenture for any purpose affecting the Bonds or Parity Bonds owned by such Owner, which modification or amendment may, without limitation, reduce the principal amount of any such Bond or Parity Bond, reduce the interest rate payable on it, extend its maturity or the times for paying interest, change the monetary medium in which principal and interest is payable, or create a mortgage, pledge or lien upon the Tax Revenues superior to the pledge and lien created for the Bonds and any Parity Bonds, only with respect to the Bonds or Parity Bonds owned by such consenting Owner.

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, without the consent of any Owners of the Bonds, 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 surrender any right or power herein reserved to or conferred upon the Agency;

(b) 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 otherwise to modify or amend any other provision of the Indenture as the Agency may deem necessary or desirable (including any amendments necessary or desirable in connection with the deposit of a letter of credit or other form of guarantee in the Reserve Account), provided in any case that such amendment will not materially adversely affect the interests of the Owners of the Bonds;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to make such additions, deletions or modifications as may be necessary to assure compliance with Section 148 of the Code relating to required rebate of excess investment

earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds.

### **Effect of Supplemental Indenture**

From and after the time any Supplemental Indenture becomes effective pursuant to this Article VIII, the Indenture will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Indenture of the Agency and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

The Agency or the Trustee may adopt appropriate regulations to require each Bondowner before his consent provided for in this Article VIII will be deemed effective to reveal if the Bonds as to which such consent is given are disqualified as provided in the Indenture.

### **Events of Default and Acceleration of Maturities**

The following events will constitute Events of Default hereunder:

(a) if default will be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default will 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 will have continued for a period of thirty (30) days following the receipt by the Agency of written notice from the Trustee or any Bond Owner of the occurrence of such default;

(c) if the Agency will commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute; or

(d) there will occur any Event of Default under any Parity Bond Indenture.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, will (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee will give notice of such Event of Default to the Agency by telephone confirmed in writing. Such



notice will also state whether the principal of the Bonds will have been declared to be immediately become due and payable. With respect to any Event of Default described in clauses (a), (c) or (d) above the Trustee will, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners of the Bonds in the same manner as provided herein for notices of redemption of the Bonds.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the Agency will 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 fees, costs and 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) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, 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 will extend to or will affect any subsequent default, or will 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 hereunder, and all sums thereafter received by the Trustee hereunder, will 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 Bond Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds and Parity Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate borne by such Bonds or Parity Bonds (to the extent that such interest on overdue installments will have been collected), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and Parity 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 or Parity Bond over any other Bond or Parity Bond, ratably to the aggregate of such principal and interest.

### **Power of Trustee to Control Proceedings**

In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it will 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 will not, 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 hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

### **Limitation on Bondowners' Right to Sue**

No Owner of any Bond issued hereunder will 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 will 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 will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity acceptable to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of thirty (30) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as herein provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

### **Non-waiver**

Nothing in this Article IX or in any other provision of the Indenture or in the Bonds, will affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, 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 herein 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.

A waiver of any default or breach of duty or contract by the Trustee or the Owners will 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 or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or will 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 or the Owners by law or by this article may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the Trustee, the Owners and the Agency will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

### **Discharge of Indenture**

If the Agency will pay and discharge the entire indebtedness on all 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 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 Bonds Outstanding, including all principal, interest and redemption premiums; or

(3) by irrevocably depositing with the Trustee, in trust, non-callable Federal Securities in such amount as an Independent Financial Consultant will 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 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 will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice, then notwithstanding that any Bonds will 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 Outstanding will cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues will not be payable to the Trustee. Notice of such election will be filed with the Trustee.

If, subject to above conditions, the Agency will pay or cause to be paid or make provision for the payment to the owners of less than all of the Outstanding Bonds the principal of and premium, if any, and interest on such Bonds which is and will 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, will 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 will be paid over to the Agency.

## APPENDIX B

### GENERAL INFORMATION REGARDING THE CITY OF RIVERBANK AND SURROUNDING AREA

*The following information relating to the City of Riverbank and the County of Stanislaus, California is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from Tax Revenues and Housing Set-Aside Revenues and other moneys as described in the Official Statement. The Project Area is located within the boundaries of the City and County.*

#### **History**

In 1854, Stanislaus County was organized with a population of less than 1,000 people. In 1867, Major James Burney established a ferry across the Stanislaus River, near what is now Santa Fe Road. The settlement that was later to become Riverbank was named Burneyville, and grew around the ferry crossing. In 1869 debris along Stanislaus River was cleared from Burneyville to the San Joaquin River, making travel much easier. Cattle and wheat were important to the settlement and growth of Stanislaus County during the 1800s. Wheat exports grew along with the expansion of the railroads, including the railroad line that today runs through Riverbank. Though wheat is less important now in Stanislaus County, agriculture is still a dominant industry in the County and the central valley as a whole, and Riverbank is surrounded by fertile cropland and pasture land.

In 1895, the San Francisco & San Joaquin Railroad was established in the central valley. In 1900, the Atchison, Topeka, and Santa Fe Railroad bought the rail properties and five years later, the train depot was built. In 1910, Riverbank became the location of the railroad division terminal. The company immediately constructed a \$1,000,000 terminal, machine shops, roundhouse, towers, storage tanks, and spur lines. In less than a year, nearly five hundred people had settled in the City.

Riverbank was incorporated in 1922 and consisted of some 340 acres. At the time of the first Census in 1930, the City had 803 residents. Between 1960 and 1986, the City's total population increased by approximately about 250 percent at a rate of 40-44 percent per decade. The population grew by 85 percent between 1990 and 2000 (8,547 to 15,826) and another 26 percent between 2000 and 2005.

With a residential population that has more than doubled since 1990, and a rapidly growing job base, Riverbank has experienced tremendous change with a business climate that encourages new development. Riverbank's household income and housing stock have grown substantially in recent years, with average income for jobs in Riverbank remaining stagnant or decreasing slightly and the jobs-housing balance improving.

## **Location**

Riverbank is centrally-located in the heart of San Joaquin Valley, just a short drive to the Bay area, Lake Tahoe and Yosemite. Riverbank is 28 miles south of the Port of Stockton, 8 miles east of Modesto on State Highway 108, east of Freeway 99. The City can be accessed by major truck routes and at the Burlington Northern-Santa Fe Railroad.

## **Climate**

The Stanislaus County area averages 12.00 inches of rain-fall annually and experience a full spectrum of the seasons, with temperatures ranging from an average low of 38° F in the winter, to an average high in the low to mid 80's during spring and fall, to an average high in the high 90's during the summer months.

## **Community Facilities**

Health: Riverbank has access to 3-general hospitals within an 8-mile radius, 10 medical clinics, 4-physicians/surgeons, 1-dentist, 2-optometrist, 2- chiropractors, 1-convelescent hospital and 1-senior apartment complex of 60-units.

Education: Education facilities include 3 elementary schools, 1 middle school, 1 high school, 1 private parochial school, Modesto Junior College, Yosemite Community College District (10 miles), California State University, Stanislaus (20 miles), University of the Pacific (30 miles).

Cultural: Riverbank has 16 churches, 9 various service clubs/organizations, 1 county library, 1 local newspaper, 6 television stations easily received, a 67-channel TV cable system, 2 bank and 9 parks. Recreational facilities include: Olympic size swimming pool, lighted tennis courts, Community Center building to accommodate 250-400 people depending on the event, a Scout Hall, gymnasium and the Stanislaus river for fishing and swimming. There are 4 private golf courses within a 25-mile radius and 25 public golf course with a 35-mile radius. Riverbank hosts their annual cheese and Wine Festival the second week-end of October with over 250 vendors and over 100,000 people in attendance.

## **Recreational**

The City of Riverbank provides a full time recreation department that offers year round activities for all ages. The City has 9 parks encompassing over 39 acres; with lighted little leagues, softball and soccer fields, outdoor basketball courts, sand volleyball courts, 800 yard walking path, barbeque area, fishing access and tennis courts. Riverbank is proud to offer an organized Little League, Youth Basketball, Youth Soccer, Pop Warner football, competitive Youth Swim Team and Youth Softball programs. There are 7 recreational reservoirs and lakes within a 35-mile radius, providing fishing, boating, camping and skiing.

## Population Estimates

Throughout the 1990s, Riverbank was one of the fastest growing communities in California. The community's population grew from 8,591 in 1990 to nearly 20,000 in January 2005, - a one hundred and thirty three percent (133%) increase and an average annual growth rate of nearly six percent. This is more than twice the population growth rate of Oakdale, Modesto, and Stanislaus County during the same time period. By 2000, Riverbank's population had surpassed the population in Oakdale, and since 2000, Riverbank's population growth rate has continued to average nearly five percent annually.

### POPULATION AND HOUSING TREND 1990 through 2005

|   | Riverbank |           | Modesto |           |         | Oakdale   |       | Escalon   | Stanislaus County |           |
|---|-----------|-----------|---------|-----------|---------|-----------|-------|-----------|-------------------|-----------|
|   | Pop.      | Hsg Units | Pop.    | Hsg Units | Pop.    | Hsg Units | Pop.  | Hsg Units | Pop.              | Hsg Units |
| 2005                                      | 19,988    | 5,835     | 207,634 | 72,615    | 17,439  | 6,419     | 6,912 | 2,399     | 504,482           | 167,048   |
| 2004                                      | 18,307    | 5,303     | 207,405 | 72,018    | 17,219  | 6,292     | 6,706 | 2,319     | 494,822           | 162,925   |
| 2003                                      | 17,340    | 5,025     | 204,209 | 70,970    | 16,805  | 6,144     | 6,623 | 2,297     | 484,652           | 159,724   |
| 2002                                      | 17,092    | 4,985     | 199,653 | 69,849    | 16,302  | 5,997     | 6,401 | 2,241     | 472,797           | 156,824   |
| 2001                                      | 16,198    | 4,759     | 193,716 | 68,265    | 17,114  | 5,842     | 6,152 | 2,171     | 458,697           | 153,262   |
| 2000                                      | 15,826    | 4,698     | 188,856 | 67,179    | 15,503  | 5,805     | 5,963 | 2,132     | 446,997           | 150,807   |
| 1999                                      | 14,552    | 4,432     | 185,639 | 66,652    | 14,801  | 5,612     | 5,749 | 2,029     | 435,459           | 149,966   |
| 1998                                      | 14,323    | 4,387     | 182,929 | 66,047    | 14,636  | 5,581     | 5,548 | 1,970     | 429,969           | 148,694   |
| 1997                                      | 13,899    | 4,284     | 180,793 | 65,693    | 55,5675 | 5,567     | 5,385 | 1,927     | 421,946           | 147,088   |
| 1996                                      | 13,395    | 4,149     | 179,072 | 65,406    | 14,310  | 5,520     | 6,126 | 1,892     | 416,126           | 179,0726  |
| 1995                                      | 12,701    | 3,941     | 178,025 | 65,176    | 14,021  | 5,419     | 5,176 | 1,872     | 411,267           | 144,477   |
| 1994                                      | 12,584    | 3,799     | 177,891 | 64,946    | 14,085  | 5,296     | 5,008 | 1,817     | 407,103           | 142,762   |
| 1993                                      | 11,955    | 3,629     | 176,241 | 64,535    | 13,411  | 5,098     | 4,906 | 1,783     | 400,417           | 140,965   |
| 1992                                      | 10,714    | 3,270     | 173,533 | 63,966    | 13,009  | 4,970     | 4,885 | 1,771     | 392,058           | 138,837   |
| 1991                                      | 9,495     | 2,942     | 169,980 | 63,219    | 12,353  | 4,769     | 4,696 | 1,721     | 381,950           | 136,465   |
| 1990                                      | 8,591     | 2,656     | 164,746 | 60,885    | 11,978  | 4,612     | 4,437 | 1,640     | 370,522           | 132,027   |
| Growth (1990 to 2005)                     | 132.7%    | 119.7%    | 26.0%   | 19.3%     | 45.6%   | 39.2%     | 55.8% | 46.3%     | 36.2%             | 26.5%     |
| Average Annual Growth Rate                | 5.8%      | 5.4%      | 1.6%    | 1.2%      | 2.5%    | 2.2%      | 3.0%  | 2.6%      | 2.1%              | 1.6%      |
| Average Annual Growth Rate (2000 to 2005) | 4.8%      | 2.4%      | 1.9%    | 1.6%      | 2.4%    | 2.0%      | 3.0%  | 2.4%      | 2.4%              | 2.1%      |

Source: ADE, data from U.S. Census of Population and California Department of Finance

Population Estimates for the State and Cities within Stanislaus County for 2000 through 2005 with a 2000 DRU Benchmark, are as follows:

| <b>Cities within<br/>Stanislaus County</b> | <b><u>4/1/2000</u></b> | <b><u>1/1/2001</u></b> | <b><u>1/1/2002</u></b> | <b><u>1/1/2003</u></b> | <b><u>1/1/2004</u></b> | <b><u>1/1/2005</u></b> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| CERES                                      | 34,609                 | 35,119                 | 35,841                 | 36,576                 | 37,559                 | 38,813                 |
| HUGHSON                                    | 3,980                  | 4,125                  | 4,254                  | 4,942                  | 5,262                  | 5,942                  |
| MODESTO                                    | 188,861                | 193,716                | 199,653                | 204,209                | 207,405                | 207,634                |
| NEWMAN                                     | 7,092                  | 7,506                  | 7,577                  | 7,798                  | 8,361                  | 9,134                  |
| OAKDALE                                    | 15,503                 | 15,764                 | 16,302                 | 16,805                 | 17,219                 | 17,439                 |
| PATTERSON                                  | 11,606                 | 12,226                 | 13,093                 | 13,732                 | 14,247                 | 16,158                 |
| <b>RIVERBANK</b>                           | <b>15,826</b>          | <b>16,198</b>          | <b>17,092</b>          | <b>17,340</b>          | <b>18,307</b>          | <b>19,988</b>          |
| TURLOCK                                    | 55,811                 | 58,409                 | 60,551                 | 62,467                 | 64,585                 | 67,009                 |
| WATERFORD                                  | 6,924                  | 7,040                  | 7,202                  | 7,705                  | 7,902                  | 7,897                  |
| BALANCE OF<br>COUNTY<br>INCORPORATED       | 106,785                | 108,594                | 111,232                | 113,078                | 113,975                | 114,468                |
| COUNTY TOTAL                               | 446,997                | 458,697                | 472,797                | 484,652                | 494,822                | 504,482                |
| STATE TOTAL                                | 33,873,086             | 34,441,561             | 35,088,671             | 35,691,442             | 36,271,091             | 36,810,358             |

Source: State of California, Department of Finance

## Transportation

**Rail:** Rail facilities are located throughout the San Joaquin Valley. Many of these facilities provide for long distance movement of goods. In particular, several facilities owned by the Southern Pacific Transportation Company and the Burlington Northern-Santa Fe Railway stretch for significant lengths north-south in the valley. These are connected at locations up and down the valley by several shorter, east-west lines, owned by a number of different companies, such as San Joaquin valley railroad. The main switching yard for the Burlington Northern-Santa Fe railroad is located in the City of Riverbank.

**Air:** Eight miles to Modesto city-county Airport; 6 miles to Oakdale (executive and company planes, 2,450-foot runway) and 27 miles to Stockton Metropolitan Airport.

**Bus:** Modesto-Riverbank-Oakdale Stage Line Makes connections with Greyhound. Riverbank-Oakdale Transit Authority (R.O.T.A.) provide door-to-door pick up (dial a ride).

**Water:** Water transportation is provided though the deep water Port of Stockton, 30 miles north of Riverbank.

**Highways:** Highway 108 runs through Riverbank and connects with Highway 120. US 99 is 8 miles west of Riverbank.



## **Age Distribution**

Riverbank's age distribution shows a generally young population. About 34 percent of Riverbank residents are under 18 years of age. This is higher than the 31 percent in Stanislaus County, and higher than in Modesto, Oakdale, and Escalon. In addition, about 15 percent of Riverbank residents are between 25 and 34 years of age. This is also higher than the countywide average and the proportion of that age group in the surrounding counties. In the higher age groups, Riverbank has only 7.3 percent of its population aged 65 or higher. The surrounding communities each have more than 11 percent of their populations in this age group.

## **Racial Composition**

Riverbank has increased its racial diversity slightly over the past decade, with Hispanics now comprising nearly half the population. White residents comprise the largest racial group in Riverbank with about 67 percent of the population. This is somewhat lower than in the surrounding communities, and a decrease from the 71 percent composition in 1990. In 1990, Riverbank had no black/African-American residents, and in 2000, the city had 158 African-American residents, comprising 1.0 percent of the population. Riverbank also increased its Asian/Pacific Islander population from 1.1 percent in 1990 to 1.7 percent in 2000. Population of other races, including multiracial residents, made up 46 percent of Riverbank's residents in 2000, up from 42 percent in 1990.

Hispanics of all races make up over 46 percent of Riverbank's population, which is a modest increase over the 1990 figure of 42 percent. Compared to the neighboring communities, Stanislaus County, and California, Riverbank has a considerably higher percentage of Hispanic residents. But, the increase in the Hispanic population has occurred at a much faster rate in Modesto, Stanislaus County, and statewide.

It should be noted that changes in population, household composition, and the housing stock between 1990 and 2000 do not reflect the significant addition of houses and residents in the Crossroads Specific Plan area, which has added over 800 housing units and over 2,000 residents to the City just in the past two years.

## **Educational Attainment**

Since 1990, the educational attainment of Riverbank's population has markedly increased. The percentage of residents with at least a high school diploma increased from 57 percent to 65 percent between 1990 and 2000, while the number of residents with at least a high school diploma more than doubled from 2,735 to 5,839. In addition, the percentage of residents who have attended college went from 31 percent in 1990 to 40 percent in 2000, while those with at least an associate degree increased from 13 percent to 17 percent.

Relative to the surrounding communities and the rest of Stanislaus County, Riverbank residents still have a generally lower educational attainment. The percentages of residents with at least a high school diploma in Modesto, Oakdale, and Escalon range from 75 to 80 percent, while the countywide average is 68 percent. In addition, the college attendance for residents in

the neighboring communities has ranged from 42 percent to 50 percent, with 16 to 24 percent of residents attaining at least an associate degree. Between 1990 and 2000, these communities did not show much change in the overall college education of their residents. This contrasts with Riverbank, where the percentage of residents with college degrees increased.

In fact, by 2000 Riverbank had a higher percentage of residents with college degrees than Oakdale. Combined with the younger demographics in Riverbank and the higher outcommute rate, this would tend to suggest that Riverbank is increasingly home to white collar professionals that commute out of the area to their jobs.

### **Household Income**

Riverbank’s median income has grown substantially since 1990, and at a faster rate than in the surrounding communities. Riverbank’s household income in the 2000 Census had a median of over \$44,600. This represents an inflation-adjusted increase of over 25 percent over the \$35,625 median income from the 1990 Census. In addition, the median income of Riverbank is now higher than Modesto, Oakdale, and the countywide average. Back in 1990, Riverbank’s median income was lower than all of those areas.

The median income in California largely stagnated between 1990 and 2000, and the statewide median income of about \$47,500 is only about six percent higher than the income in Riverbank. In 1990, California’s median income was about 32 percent higher.

#### **MEDIAN HOUSEHOLD INCOME TREND**

|                                       | <b>Riverbank</b> | <b>Modesto</b> | <b>Oakdale</b> | <b>Escalon</b> | <b>Stanislaus County</b> | <b>California</b> |
|---------------------------------------|------------------|----------------|----------------|----------------|--------------------------|-------------------|
| 1999 Median Household Income          | \$44,668         | \$40,394       | \$39,338       | \$49,797       | \$40,101                 | \$47,493          |
| 1989 Median Household Income (\$1999) | \$35,625         | \$41,731       | \$35,846       | \$42,487       | \$39,220                 | \$47,125          |
| Growth Rate (1989 to 1999)            | 25.4%            | -3.2%          | 9.7%           | 17.2%          | 2.2%                     | 0.8%              |
| Average Annual Growth Rate            | 2.3%             | -0.3%          | 0.9%           | 1.6%           | 0.2%                     | 0.1%              |

### **Unemployment**

From 2000 to 2004, the unemployment rate increased as the labor force continued to grow in Riverbank. In 2004, Riverbank had one of the highest unemployment rates in Stanislaus County, with an average of 13.6 percent of the labor force not working. This represented a significant increase over the 11.0 percent annual unemployment rate from 2000.

Modesto, Oakdale, Escalon, and Stanislaus County as a whole all each had significant increases in their unemployment rates during this period. However, the unemployment rate for all of these areas was under 10 percent, which means that Riverbank has consistently had higher unemployment than the surrounding communities. The increase in unemployment across Stanislaus County was also consistent with the statewide trend, which increased from 5.0 percent in 2000 to 6.2 percent in 2004. In general, Riverbank follows the same pattern of many communities across the Central Valley in which the unemployment rates are consistently higher than elsewhere in the state.

### UNEMPLOYMENT RATE AND LABOR FORCE TREND

| <b>2004 Annual Average</b> | <b>Riverbank</b> | <b>Oakdale</b> | <b>Modesto</b> | <b>Escalon</b> | <b>Stanislaus County</b> | <b>California</b> |
|----------------------------|------------------|----------------|----------------|----------------|--------------------------|-------------------|
| Labor Force                | 8,100            | 8,500          | 98,200         | 3,200          | 226,500                  | 17,552,300        |
| Employed Residents         | 7,000            | 7,800          | 90,400         | 3,000          | 205,800                  | 16,459,900        |
| Unemployment               | 1,100            | 700            | 7,800          | 200            | 20,700                   | 1,092,400         |
| Unemployment Rate          | 13.6%            | 8.0%           | 7.9%           | 7.6%           | 9.1%                     | 6.2%              |
| <br>                       |                  |                |                |                |                          |                   |
| <b>2000 Annual Average</b> | <b>Riverbank</b> | <b>Oakdale</b> | <b>Modesto</b> | <b>Escalon</b> | <b>Stanislaus County</b> | <b>California</b> |
| Labor Force                | 7,500            | 90,400         | 7,700          | 3,000          | 208,200                  | 16,869,700        |
| Employed Residents         | 6,600            | 84,300         | 7,200          | 2,800          | 192,000                  | 16,034,100        |
| Unemployment               | 900              | 6,100          | 500            | 200            | 16,200                   | 835,600           |
| Unemployment Rate          | 16.7%            | 6.7%           | 6.8%           | 6.2%           | 7.8%                     | 5.0%              |

Source: ADE, data from California Labor Market Information Division

Notes: Labor force represents residents aged 16 and over who are either employed or seeking employment

### Industry Employment

Since 1990, Riverbank's labor force has shifted towards service/retail industries and away from manufacturing and agriculture. Between 1990 and 2000, the percentage of employed residents in Riverbank working in service/retail industries increased from 44 percent to 48 percent, while manufacturing declined from 22 percent to 18 percent. This trend was similar to the shift that occurred in Oakdale and Escalon. In Modesto, the consolidation of employed residents into services/retail industries was much more pronounced, with the percentage increasing from 50 percent to 59 percent. The changes that occurred in Modesto and Stanislaus County more closely mirrored the magnitude of change that occurred statewide. Riverbank, Oakdale, and Escalon had more modest changes in the industries that their employed residents worked.

**EMPLOYMENT BY INDUSTRY**  
**For Employed Residents 16 Years and Older**

|  | <b>Riverbank</b> | <b>Modesto</b>   | <b>Oakdale</b>   | <b>Escalon</b>   | <b>Stanislaus County</b> | <b>California</b> |
|--|------------------|------------------|------------------|------------------|--------------------------|-------------------|
|  | Percent of Total | Percent of Total | Percent of Total | Percent of Total | Percent of Total         | Percent of Total  |
| <b>2000 Total</b>                        | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%                   | 100.0%            |
| Agriculture, forestry, fishing & hunting | 6.2%             | 1.8%             | 3.9%             | 4.6%             | 5.5%                     | 1.8%              |
| Mining                                   | 0.0%             | 0.0%             | 0.0%             | 0.0%             | 0.1%                     | 0.2%              |
| Construction                             | 8.7%             | 7.0%             | 9.8%             | 7.8%             | 8.0%                     | 6.2%              |
| Manufacturing                            | 18.3%            | 13.9%            | 16.8%            | 13.8%            | 14.6%                    | 13.1%             |
| Wholesale trade                          | 5.1%             | 4.0%             | 4.4%             | 4.9%             | 4.3%                     | 4.1%              |
| Transportation and                       | 4.1%             | 5.2%             | 6.4%             | 5.9%             | 5.3%                     | 4.7%              |
| Finance, insurance, real                 | 4.8%             | 5.1%             | 5.3%             | 5.4%             | 4.5%                     | 6.9%              |
| Retail and services                      | 48.2%            | 58.8%            | 48.5%            | 53.7%            | 53.9%                    | 58.6%             |
| Public administration                    | 4.5%             | 4.1%             | 4.9%             | 3.9%             | 3.9%                     | 4.5%              |
|  | <b>Riverbank</b> | <b>Modesto</b>   | <b>Oakdale</b>   | <b>Escalon</b>   | <b>Stanislaus County</b> | <b>California</b> |
|  | Percent of Total | Percent of Total | Percent of Total | Percent of Total | Percent of Total         | Percent of Total  |
| <b>1990 Total</b>                        | 100.0%           | 100.0%           | 100.0%           | 100.0%           | 100.0%                   | 100.0%            |
| Agriculture, forestry, fishing & hunting | 7.4%             | 2.8%             | 5.8%             | 7.0%             | 7.8%                     | 3.1%              |
| Mining                                   | 0.0%             | 0.0%             | 0.3%             | 0.0%             | 0.1%                     | 0.3%              |
| Construction                             | 8.1%             | 7.9%             | 10.5%            | 6.9%             | 8.5%                     | 6.8%              |
| Manufacturing                            | 21.7%            | 17.3%            | 19.7%            | 15.8%            | 18.2%                    | 16.9%             |
| Wholesale trade                          | 3.4%             | 4.7%             | 5.2%             | 3.5%             | 4.3%                     | 4.6%              |
| Transportation and                       | 5.6%             | 6.1%             | 6.2%             | 10.2%            | 6.2%                     | 6.7%              |
| Finance, insurance, real                 | 5.1%             | 6.8%             | 5.1%             | 6.2%             | 5.5%                     | 7.6%              |
| Retail and services                      | 44.1%            | 49.9%            | 42.5%            | 45.9%            | 45.4%                    | 49.6%             |
| Public administration                    | 4.5%             | 4.5%             | 4.6%             | 4.5%             | 3.9%                     | 4.4%              |

Source: ADE, data from U.S. Census of Population

Notes: Industry definitions in the 1990 Census used the Standard Industry Classification (SIC) coding system.

The 2000 Census used the North American Industry Classification System (NAICS). The industry definitions were aggregated so that the categories shown in the table would match as closely as possible.

**Occupational Employment**

Consistent with the labor force by industry trends, the labor force distribution by occupation in Riverbank shows an increasing concentration of residents that work in professional, managerial, technical, or administrative occupations. In 1990, 44 percent of Riverbank's labor force was in these occupations, and this increased to 48 percent by 2000. In particular, the professional and managerial occupations rose sharply. Production and farming occupations declined significantly during this same period. Among the surrounding communities, only Escalon showed a similarly large shift into the professional and administrative occupations. Riverbank still has a lower proportion of its labor force in professional and administrative occupations, but it has by and large caught up with the rest of the county and the surrounding communities.

**EMPLOYMENT BY OCCUPATION  
For Employed Residents 16 Years and Older**

|  | <b>Riverbank</b>        | <b>Modesto</b>          | <b>Oakdale</b>          | <b>Escalon</b>          | <b>Stanislaus County</b> | <b>California</b>       |
|--|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
|  | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b>  | <b>Percent of Total</b> |
| Total  | 100.0%                  | 100.0%                  | 100.0%                  | 100.0%                  | 100.0%                   | 100.0%                  |
| Managerial and professional specialty occupations        | 25.6%                   | 28.4%                   | 25.0%                   | 25.0%                   | 26.5%                    | 36.0%                   |
| Technical, sales, and administrative support occupations | 22.4%                   | 27.7%                   | 24.5%                   | 32.0%                   | 25.6%                    | 26.8%                   |
| Service occupations                                      | 14.8%                   | 15.9%                   | 17.2%                   | 13.3%                   | 15.4%                    | 14.8%                   |
| Farming, forestry, and fishing occupations               | 4.5%                    | 1.3%                    | 2.1%                    | 3.8%                    | 3.6%                     | 1.3%                    |
| Precision production, craft, and repair occupations      | 11.9%                   | 10.6%                   | 12.6%                   | 9.8%                    | 11.4%                    | 8.4%                    |
| Operators, fabricators, and laborers                     | 20.8%                   | 16.1%                   | 18.5%                   | 17.0%                   | 17.5%                    | 12.7%                   |
|  | <b>Riverbank</b>        | <b>Modesto</b>          | <b>Oakdale</b>          | <b>Escalon</b>          | <b>Stanislaus County</b> | <b>California</b>       |
|  | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b> | <b>Percent of Total</b>  | <b>Percent of Total</b> |
| Total  | 100.0%                  | 100.0%                  | 100.0%                  | 100.0%                  | 100.0%                   | 100.0%                  |
| Managerial and professional specialty occupations        | 16.6%                   | 24.0%                   | 18.2%                   | 19.5%                   | 20.8%                    | 28.6%                   |
| Technical, sales, and administrative support occupations | 27.1%                   | 33.4%                   | 29.7%                   | 30.6%                   | 29.2%                    | 32.4%                   |
| Service occupations                                      | 13.1%                   | 12.5%                   | 13.1%                   | 11.6%                   | 12.3%                    | 12.4%                   |
| Farming, forestry, and fishing occupations               | 7.0%                    | 2.0%                    | 4.2%                    | 6.4%                    | 6.2%                     | 2.7%                    |
| Precision production, craft, and repair occupations      | 14.6%                   | 13.1%                   | 16.9%                   | 13.7%                   | 14.0%                    | 11.1%                   |
| Operators, fabricators, and laborers                     | 21.6%                   | 15.1%                   | 17.9%                   | 18.2%                   | 17.5%                    | 12.8%                   |

Source: ADE, data from U.S. Census of Population.

Note: Occupational definitions were changed prior to the 2000 Census. Data was aggregated so that the occupational categories displayed in the table would match as closely as possible.

**Job Growth**

Riverbank's job base since 1994 has grown at a faster rate than the population. Between 1994 and 2002, Riverbank's employment base grew by over 75 percent to nearly 3,000 jobs. Riverbank's job growth during this period was more than twice the rate of Oakdale, Escalon, Modesto, and Stanislaus County.

However, much of this is due to the lower job base that Riverbank already has in place. Even with this high rate of growth in employment, Riverbank still has half the number of jobs as

in neighboring Oakdale. If Riverbank can maintain the previous annual growth rate of 7.3 percent, the employment base will more than double to over 6,000 jobs by 2012. If Riverbank follows the more modest countywide growth trends, then the job base will increase by just over 1,100 new jobs to 4,116.

### **EMPLOYMENT GROWTH TRENDS 1994 To 2002**

|                                  | <b>Riverbank</b> |             | <b>Oakdale</b>   |             | <b>Escalon</b>   |             | <b>Stanislaus County</b> |             |
|----------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|--------------------------|-------------|
|                                  | <b>Establish</b> | <b>Jobs</b> | <b>Establish</b> | <b>Jobs</b> | <b>Establish</b> | <b>Jobs</b> | <b>Establish</b>         | <b>Jobs</b> |
| 2002                             | 188              | 2,980       | 599              | 6,905       | 210              | 1,715       | 8,668                    | 131,702     |
| 1994                             | 132              | 1,694       | 491              | 5,212       | 173              | 1,317       | 7,671                    | 101,709     |
| Percent Growth<br>(1994 to 2002) | 42.4%            | 75.9%       | 22.0%            | 32.5%       | 21.4%            | 30.2%       | 13.0%                    | 29.5%       |
| Average<br>Annual Growth         | 4.5%             | 7.3%        | 2.5%             | 3.6%        | 2.5%             | 3.4%        | 1.5%                     | 3.3%        |

Source: ADE, data from U.S. Census ZIP Code Business Patterns

### **Industries**

Out of Riverbank's 2,980 jobs, over 2,000 are in retail trade/food service, manufacturing, and administrative support (headquarters). Services comprise the largest group of jobs in Riverbank with about 38 percent of the total jobs. About 25 percent of the total jobs are in manufacturing, with 18 percent in retail. Wholesale trade, transportation and warehousing, and health care/social services also each employ over 150 workers.

Compared to the labor force, Riverbank's job base is more concentrated into manufacturing, retail trade, and services, with lower concentrations of employment in construction, agriculture, and wholesale trade.

### **Primary Employers**

Riverbank currently has about 28 establishments that employ more than 25 employees. The largest establishment in Riverbank is the MCI Call Center, which employs approximately 500 workers. The next largest businesses are Silgan Containers with 245 workers and California Fruit & Tomato Kitchen with 150 workers.

### **Income**

As Riverbank has added jobs, the average income from these jobs has remained about the same. In 1994, the average income (in constant dollars) for jobs in Riverbank totaled about \$27,496. This average income actually declined by 1.9 percent to \$26,967 in 2002. For comparison, Escalon increased its average income by 27.7 percent during this period. Oakdale and Stanislaus County had minor increases in average income for local jobs, with annual growth rates of less than one percent.

**PAYROLL GROWTH TRENDS  
1994 to 2002**

|                               | Riverbank                        |             | Oakdale                          |             | Escalon                          |             | Stanislaus County                |             |
|-------------------------------|----------------------------------|-------------|----------------------------------|-------------|----------------------------------|-------------|----------------------------------|-------------|
|                               | Payroll From Local Jobs (\$2002) | Avg. Income | Payroll From Local Jobs (\$2002) | Avg. Income | Payroll From Local Jobs (\$2002) | Avg. Income | Payroll From Local Jobs (\$2002) | Avg. Income |
| 2002                          | \$80,361,000                     | \$26,967    | \$212,674,000                    | \$30,800    | \$57,887,000                     | \$33,753    | \$3,896,626,000                  | \$29,587    |
| 1994                          | \$46,579,049                     | \$27,496    | \$151,621,750                    | \$29,091    | \$34,808,684                     | \$26,430    | \$2,888,693,335                  | \$28,402    |
| Percent Growth (1994 to 2002) | 72.5%                            | -1.9%       | 40.3%                            | 5.9%        | 66.3%                            | 27.7%       | 34.9%                            | 4.2%        |
| Average Annual Growth Rate    | 7.1%                             | -0.2%       | 4.3%                             | 0.7%        | 6.6%                             | 3.1%        | 3.8%                             | 0.5%        |

Source: ADE, data from U.S. Census ZIP Code Business Patterns, adjusted to Consumer Price Index

This contrasts with the household income trend, which grew substantially in Riverbank between 1990 and 2000. Combined with the increasing outcommute rate in Riverbank, this tends to indicate that the household incomes in Riverbank are growing largely because the employed residents now commute to higher paying jobs outside of the community.

**Retail Sales**

Riverbank's total retail sales have nearly doubled since 1996 (in constant dollars), and averaged nine percent growth annually. Total retail sales for 2003 were over \$52 million. Riverbank's retail sales are about \$3,000 per capita, which represents a 42 percent increase over the 1996 figure of \$2,078. Retail sales in Riverbank remain lower than in Escalon and Oakdale. Per capita sales for Escalon, Oakdale, and Modesto were all over \$8,500.

**TAXABLE SALES TRENDS  
1996 to 2003**

|                                    | Riverbank    | Oakdale       | Escalon      | Modesto         | Stanislaus County |
|------------------------------------|--------------|---------------|--------------|-----------------|-------------------|
| 2003 Taxable Retail Sales          | \$52,169,000 | \$207,543,000 | \$59,453,000 | \$2,156,011,000 | \$4,306,189,000   |
| 1996 Taxable Retail Sales (\$2003) | \$28,473,950 | \$142,290,974 | \$39,236,216 | \$1,636,095,929 | \$3,112,146,780   |
| Percent Growth (1996 to 2003)      | 83.2%        | 45.9%         | 51.5%        | 31.8%           | 38.4%             |
| Average Annual Growth Rate         | 9.0%         | 5.5%          | 6.1%         | 4.0%            | 4.7%              |

Source: ADE, data from California Board of Equalization, adjusted to Consumer Price Index

**PER CAPITA TAXABLE SALES TRENDS  
1996 to 2003**

|   | <b>Riverbank</b> | <b>Oakdale</b> | <b>Escalon</b> | <b>Modesto</b> | <b>Stanislaus County</b> |
|---|------------------|----------------|----------------|----------------|--------------------------|
| 2003 Per Capita Taxable Retail Sales          | \$3,019          | \$12,393       | \$8,907        | \$10,595       | \$8,916                  |
| 1996 Per Capita Taxable Retail Sales (\$2003) | \$2,126          | \$9,943        | \$7,451        | \$9,137        | \$7,479                  |
| Percent Growth (1996 to 2003)                 | 42.0%            | 24.6%          | 19.5%          | 16.0%          | 19.2%                    |
| Average Annual Growth Rate                    | 5.1%             | 3.2%           | 2.6%           | 2.1%           | 2.5%                     |

**Jobs-Housing Balance**

Jobs-housing balance represents the degree to which a community's housing development is sufficient to offset the demand that the job base creates. Communities with job to housing ratio higher than 1.5 are generally considered "jobs rich," while those with a ratio lower than 1.5 are considered "housing rich." Riverbank has historically served as a destination for housing. The community's ratio of jobs to housing increased from 0.45 in 1994 to 0.60 in 2002.

Though Riverbank is still housing rich, job growth has largely kept pace with a rapidly expanding population. However, the much faster pace of housing development that has occurred since 2002 has likely decreased the jobs-housing balance since then. Neighboring Escalon and Oakdale have job-housing ratios of 0.77 and 1.15, respectively.

**JOBS-HOUSING BALANCE TREND  
1994 to 2002**

|                               | <b>Riverbank</b> | <b>Oakdale</b> | <b>Escalon</b> | <b>Stanislaus County</b> |
|-------------------------------|------------------|----------------|----------------|--------------------------|
| 2002 Jobs-to-Housing Ratio    | 0.60             | 1.15           | 0.77           | 0.84                     |
| 1994 Jobs-to-Housing Ratio    | 0.45             | 0.98           | 0.72           | 0.71                     |
| Percent Growth (1994 to 2002) | 34.1%            | 17.0%          | 5.6%           | 17.9%                    |
| Average Annual Growth Rate    | 3.7%             | 2.0%           | 0.7%           | 2.1%                     |

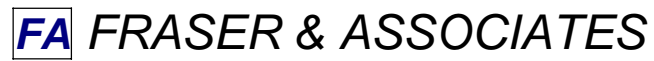
Source: ADE, data from U.S. Census ZIP Code Business Patterns, and California Dept. of Finance



**APPENDIX C**

**FISCAL CONSULTANT'S REPORT**

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**Redevelopment and Financial Consulting**

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**FISCAL CONSULTANT REPORT**

*Riverbank Redevelopment Agency*

Riverbank Reinvestment Project Area

January 2007

## **Section A - Introduction**

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The Riverbank Redevelopment Agency (Agency) is considering the issuance of Tax Allocation Revenue Bonds, Series 2007 (Bonds). The Agency intends to pledge a portion of the tax increment revenues generated from the Riverbank Reinvestment Project Area (Project Area) to repayment of the Bonds.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues to be used to support repayment of the Bonds. The Report includes the following sections that address various aspects of the revenue stream:

- A. **Introduction:** This section provides an overview of the Report and its purpose.
- B. **General Information:** Provides information on the Project Area, including a general description of the Redevelopment Plan and the financial and time limits of the Project Area. A brief description of the systems and procedures used by Stanislaus County for the allocation of tax increment is also included.
- C. **Taxable Values and Historical Revenues:** Information in this section includes a description of the categories of taxable values, the Top Ten Assesseees in the Project Area and the historical trends in values and revenues.
- D. **Assessment Appeals:** The findings from a review of the records of the Stanislaus County Assessment Appeals Board are included in this section.
- E. **Estimate of Current and Future Revenues:** This part of the report includes the tax increment projections for the Project Area.
- F. **Adjustments and Liens on Revenue:** This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
- G. **Other Issues:** This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information, data and assumptions which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Stanislaus County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

**Section B - General Information**

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*The Project Area*

The Reinvestment Plan for the Project Area was originally adopted on June 27, 2005 by Ordinance No. 2005-010. Because the Project Area also contains land that is under the jurisdiction of the County of Stanislaus, the Board of Supervisors approved the adoption of the Redevelopment Plan pursuant to Ordinance No. C.S. 926 on June 14, 2005.

The time and financial limits for the Project Area are shown below:

| Limit              |               |
|--------------------|---------------|
| Debt Establishment | 6/27/2025     |
| Plan Effectiveness | 6/27/2035     |
| Debt Repayment     | 6/27/2050     |
| Bond Debt          | \$140 million |

The CRL does not require a Redevelopment Plan to include a cumulative tax increment limit for project areas that were adopted after January 1, 1994. Therefore, the Project Area does not have a tax increment limit. The 2006-07 fiscal year will be the first year that the Agency is eligible to receive tax increment.

The Project Area includes approximately 1,230 acres. The Project Area includes the Riverbank downtown and other commercial, industrial and residential land uses. Residential uses comprise approximately 529 acres of land; commercial uses 60 acres; and industrial uses 129 acres. The balance of the acreage is represented by public uses, streets, mixed use development and vacant land. Shown below is a land use breakdown of the Project Area by parcel and taxable value.

| LAND USE CATEGORY SUMMARY 2006-07 |              |                    |                  |
|-----------------------------------|--------------|--------------------|------------------|
|                                   | Parcels      | Taxable Value      | Percent of Total |
| Residential                       | 2,634        | 389,814,540        | 69.66%           |
| Commercial                        | 226          | 74,394,585         | 13.29%           |
| Industrial                        | 46           | 48,603,648         | 8.69%            |
| Vacant                            | 58           | 7,299,357          | 1.30%            |
| Other                             | 56           | 1,741,418          | 0.31%            |
| <b>Total Secured</b>              | <b>3,020</b> | <b>521,853,548</b> |                  |
| Unsecured                         |              | 37,765,291         | 6.75%            |
| <b>Grand Total</b>                |              | <b>559,618,839</b> | <b>100.00%</b>   |

Source: Stanislaus County Tax Roll

*Property Tax Allocation Procedures*

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Stanislaus County's procedures for the calculation and allocation of property taxes and tax increment were evaluated.

Stanislaus County calculates tax increment to redevelopment project areas on a tax rate area basis. A tax rate area can be defined as a geographic area that contains the same underlying taxing entities that levy a property tax. There are a total of 46 tax rate areas in the Project Area. Pursuant to Section 96.52(c)(1) of the Revenue & Taxation Code, the County calculates tax increment only for those tax rate areas where the current year assessed value exceeds the base year value. If the base year value is higher, the County excludes it from the calculation of tax increment. Stanislaus County is the only County in the state that is authorized to calculate tax increment in this way. This has the impact of allocating additional tax increment to the Agency from that which would normally occur (referred to as Negative TRA Increment in this Report). For 2006-07, we estimate that this has had the impact of increasing gross tax increment to the Project Area by approximately \$25,000. Since the County is authorized under State law to calculate tax increment in this way, we have also prepared our calculations of tax increment to exclude all tax rate areas where the base year value exceeds the current year value.

In calculating tax increment, the County applies a "base year equivalent tax rate". This tax rate is in excess of the standard 1 percent tax rate under Proposition 13. Our review indicates that only the 1 percent tax rate should be applied to incremental value in the Project Area, and that this has caused the County calculation of tax increment to be overstated by approximately \$2,700 for 2006-07.

Tax increment generated from the secured tax roll is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments. Tax increment generated from the application of the one percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a county-wide basis.

Subsequent sections of this Report include additional information on the impact of the County's allocation practices on the Project Area's tax increment revenues.

**Section C – Taxable Values and Historical Revenues**

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*Taxable Values*

Property is valued as of January 1 of each year. Property that is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor’s office. The State Board of Equalization (SBE) provides valuations for state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Personal property is appraised annually at the full cash value of the property. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a county-wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. State-assessed non unitary values and railroad values are reported at the local tax rate area level.

*Project Area Value Trends*

Table 1 shows the historical taxable values of the Project Area since adoption in 2004-05. Taxable values have increased from \$431.4 million in 2004-05 to \$559.6 million in 2006-2007. The total percentage change was 29.73 percent since 2004-05. The average annual percentage change in values was 13.90 percent.

Secured taxable values since 2004-05 have increased by over \$125 million. This growth has, in part, been driven by new development activity. Over the past 2 years, JKB Homes constructed 109 new single family units, and the 40 unit Rose Place subdivision was completed. These two developments added almost \$45 million in new value.

Because the Project Area has a large residential component, numerous small changes of ownership have played a significant role in the increases in assessed value in the recent past. In order to verify this, we reviewed changes of ownership that occurred between 2004-05 and 2006-07. The review showed a total of 188 changes of ownership which increased secured values by over \$36 million. The average value of the parcels that changed ownership went from \$121,000 to \$314,000. The balance of growth can be attributed to the allowable 2 percent inflation adjustment and other new investment in the Project Area.

A parcel verification was not performed as part of our analysis of taxable values. The Agency is considering having a parcel verification done in the coming year.

#### *Top Ten Assesseees*

The Top Ten Assesseees in the Project Area are summarized on Table 2. The total taxable value for the Top Ten Assesseees represents 14.82 percent of the total value of the entire Project Area and 64.79 percent of the incremental value of the Project Area. The Top Ten includes \$19 million in unsecured value, which represent 53 percent of the total unsecured value in the Project Area.

The top assessee, Silgan Container Corporation, has filed an assessment appeal and requested a reduction in their assessment of \$7 million. The value for the number 2 assessee, California Fruit & Tomato Kitchens, equals \$15.2 million and is on the unsecured roll. The value is assigned to a secured parcel owned by Sun Garden Gangi Canning Company (the number 6 assessee). California Fruit & Tomato Kitchens was leasing the property, and has recently closed their operations. We have discussed the closure with the County Assessor's Office, but they were not able to provide any information on the impact this will have on the future assessed value of the site. Since most of the value is personal property and fixtures, we have assumed that the value would be 0 as of the 2007-08 tax roll, and have adjusted our tax increment projections to reflect this.

JKB Homes is developing a residential subdivision, as discussed above. As those homes are sold, additional diversification will occur for the Top 10.

#### *Historical Tax Increment Revenues*

The current fiscal year is the first year that the Agency is eligible to receive tax increment for the Project Area. Therefore, there is no information on the historical receipt of tax increment revenues in the Project Area included in this report. For 2006-07, the Agency



has received an allocation of tax increment of \$589,704 through December 2006. This amount is net of the AB 1290 Statutory Payments.

Redevelopment agencies receive their major payments of secured and unsecured tax increment in late December or early January and in April of each fiscal year. The Agency also receives allocations of supplemental property taxes during the course of the fiscal year. A final payment is made in August of each year.

**Section D – Assessment Appeals**

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

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

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. Based on information provided by the Stanislaus County Assessment Appeals Board, the following represent the open appeals in the Project Area.

| Assessee                           | Open Appeals        |                              |                           |                          |                               |
|------------------------------------|---------------------|------------------------------|---------------------------|--------------------------|-------------------------------|
|                                    | Original Roll Value | Applicant's Opinion of Value | Potential Value Reduction | Estimated Resolved Value | Estimated Valuation Reduction |
| Silgan Containers                  | 17,455,840          | 10,473,000                   | 6,982,840                 | 13,964,420               | 3,491,420                     |
| Moya Rogello & Maria               | 607,588             | 334,534                      | 273,054                   | 471,061                  | 136,527                       |
| California Fruit & Tomato Kitchens | 15,211,680          | 9,478,382                    | 5,733,298                 | N/A                      | N/A                           |
| <b>Total</b>                       | <b>33,275,108</b>   | <b>20,285,916</b>            | <b>12,989,192</b>         | <b>14,435,481</b>        | <b>3,627,947</b>              |

(1) Unsecured personal property appeal. The business is no longer operating on the site, so the full value of the property has been deducted from the future tax increment projections.

As shown above, there are three assesses that have outstanding appeals in the Project Area for 2006-07 fiscal year. If the applicants are successful, taxable values could be reduced by approximately \$13 million. Since the California Fruit & Tomato Kitchens has ceased operations, we have assumed no impact from the appeal, but rather have reduced the tax increment projections shown on Table 4 for the total value of the leased property.

For the other appeals, we first attempted to determine the prior success of appeals. For 2005, there were three appeals filed in the Project Area, all of which were withdrawn. This included an appeal from Silgan Containers. The County was unable to provide us with any information on the prior success of appeals in the City for years prior to 2005. For purposes of the estimated resolved value shown above, we have assumed that the applicant would receive reductions equal to 50 percent of the requested reduction. For purposes of the tax increment projections shown on Table 4, we have reduced taxable value by \$3.6 million starting in 2007-08.

Stanislaus County allocates refunds related to appeals to the Project Area on the basis of the Project Area's AB 8 apportionment factor applied to all refunds countywide (the AB 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Refunds from appeals that occur outside the Project Area could negatively affect future tax increment revenues.

### **Section E - Estimate of Current and Future Tax Increment Revenue**

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Tax increment revenues are normally calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

As previously discussed, Stanislaus County calculates tax increment on a tax rate area basis, and excludes all tax rate areas where the base year value exceeds the current year value. For purposes of the projections in this section, we have modeled our revenue estimates in the same way.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment.

#### *Current Year Revenues*

An estimate of current year (2006-07) tax increment revenues is shown on Table 3. The values utilized are based on actual taxable values as provided by Stanislaus County. Tax increment generated from the application of the 1 percent tax rate to incremental taxable

value for 2006-2007 is estimated at \$1.3 million in the Project Area. To this amount, we have added the Negative TRA Increment amount. We have estimated this amount at \$25,000.

*Projected Revenues*

A projection of tax increment revenues is shown on Table 4. The values are split between real and other property. Real property consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated on Table 4. Real property values have been increased based on a 2 percent inflation factor. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values, and is the percentage that assessors have been directed to use by the SBE for 2007-08. However, in certain fiscal years the inflation factor has been less than 2 percent. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Table 4.

Future year tax increment revenues have also been increased for recent changes of ownership and for the JKB single family housing development, as shown on Table 5. Changes of ownership are projected to increase taxable values in 2007-08 by \$14.2 million. This reflects 80 separate changes of ownership. The JKB project includes the development of 109 housing units in Phase 1 and 2. Of this total, 59 were sold and have been enrolled on the 2006-07 tax roll. Thirty six of the units were sold in 2006 and are expected to add value to the 2007-08 tax roll. The final 14 units are expected to be sold in 2007 and add value to the 2008-09 tax roll. Phase 3 of the JKB project includes a total of 49 units. Of these, the sales office indicated that 15 units were sold as of the end of 2006, with the balance either completed or under construction. We have added value for Phase 3 to the 2007-08 and 2008-09 tax roll.

Taxable values have also been reduced for the impact of assessment appeals. For 2007-08, we have reduced the value of real property shown on Table 4 by \$3.6 million. We have also reduced value for the closure of California Fruit & Tomato Kitchens with a value of \$15.2 million

The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. For purposes of the projections, we have only used the 1 percent tax rate, since there are no pre 1989 debt service tax rates levied in the Project Area.

**Section F – Adjustments and Liens on Tax Increment**

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The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

*Adjustments to Revenue*

The one adjustment to the tax increment revenues shown on Tables 3 and 4 is for property tax administrative fees. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

*Housing Set-Aside*

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. Tables 3 and 4 show the full housing set-aside deposit. It is our understanding that the housing set-aside will be pledged to the Bonds, and that the Official Statement will include tables that show this.

*AB 1290 Tax Sharing Payments*

Pursuant to 1994 legislation, AB 1290, the Agency is required to make payments to the affected taxing entities from tax increment generated in the Project Area. The tax sharing payments are based on a three tier formula. All payments are made after the Agency's deposit to its housing set-aside.

| <b>Tier</b> | <b>Payment Required</b>  |
|-------------|--|
| Tier 1      | 25% of total tax increment during the entire term the Agency receives tax increment.   |
| Tier 2      | Beginning in the 11th year that the Agency receives tax increment, an additional payment equal to 21% of the tax increment attributable to growth above year 10 levels. This tier will start in 2017-18. |
| Tier 3      | Beginning in the 31st year that the Agency receives tax increment, an additional payment equal to 14% of the tax increment attributable to growth above year 30 levels. This tier will begin in 2037-38  |

Tier 1 payments are currently being made for the Project Area. Health and Safety Code Section 33607.5 authorizes the Agency to request that an affected taxing entity subordinate its right to receive such statutory payments to the payment of loans, bonds or other indebtedness of the Agency. The Agency has requested that the taxing entities subordinate the payments to the Bonds, and has provided substantial evidence that it will have sufficient funds available to pay debt service on the Bonds and make the statutory payments to the affected taxing entities. As of the date of this Report, the subordination process had not been completed. For purposes of the projections shown on Tables 3 and 4, we have not reduced Tax Revenues for the AB 1290 Tax Sharing Payments and

assumed such payments would be subordinate to the payment of debt service on the Bonds.

## **Section H – Other Issues**

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The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. The Agency's audit has not yet been completed.

Table 1  
 Riverbank Redevelopment Agency  
 Riverbank Reinvestment Project

**HISTORICAL TAXABLE VALUE**

| Fiscal Year                      | Locally-Assessed Secured Value | Unsecured Value | State Assessed | Total Taxable Value | Percentage Change | Total Incremental Value (1) |
|----------------------------------|--------------------------------|-----------------|----------------|---------------------|-------------------|-----------------------------|
| 2006-07                          | 521,853,548                    | 35,788,840      | 1,976,451      | 559,618,839         | 29.73%            | 128,237,564                 |
| 2005-06                          | -----Data not available-----   |                 |                |                     |                   |                             |
| 2004-05                          | 395,987,833                    | 32,880,067      | 2,513,375      | 431,381,275         | N/A               | N/A                         |
| <b>Total Percentage Change</b>   |                                |                 |                |                     |                   |                             |
| <b>Average Percentage Change</b> |                                |                 |                |                     |                   |                             |
|                                  |                                |                 |                |                     | 29.73%            |                             |
|                                  |                                |                 |                |                     | 13.90%            |                             |

(1) Based on data provided by the Stanislaus County Auditor-Controller's Office.

Table 2  
Riverbank Redevelopment Agency  
Riverbank Reinvestment Project

**TEN MAJOR PROPERTY TAX ASSESSEES**

| Assessee   | Number of<br>Parcels | Type of Use   | 2006-07           |                   | %of Total<br>Value (2) | %of Inc<br>Value |               |
|--|----------------------|---------------|-------------------|-------------------|------------------------|------------------|---------------|
|  |                      |               | Secured           | Unsecured         |                        |                  |               |
| 1) Silgan Containers Manufacturing Corporation (3) | 2                    | Industrial    | \$22,320,840      | \$22,010          | \$22,342,850           | 3.99%            | 17.45%        |
| 2) California Fruit & Tomato Kitchens (4)          | 1                    | Industrial    | 0                 | 15,211,680        | 15,211,680             | 2.72%            | 11.88%        |
| 3) Galaxy Cinemas Riverbank                        | 1                    | Movie Theatre | 9,650,389         | 0                 | 9,650,389              | 1.72%            | 7.54%         |
| 4) JKB Homes Norcal Inc. (5)                       | 49                   | Housing       | 9,034,350         | 0                 | 9,034,350              | 1.61%            | 7.06%         |
| 5) F&M Monschein Limited Partnership               | 3                    | Industrial    | 2,611,181         | 3,488,970         | 6,100,151              | 1.09%            | 4.76%         |
| 6) Sun Garden Gangi Canning Company                | 4                    | Industrial    | 5,539,213         | 0                 | 5,539,213              | 0.99%            | 4.33%         |
| 7) Riverbank Venture                               | 1                    | Industrial    | 4,706,991         | 0                 | 4,706,991              | 0.84%            | 3.68%         |
| 8) Elvan Overholtzer                               | 2                    | Industrial    | 3,372,477         | 239,850           | 3,612,327              | 0.65%            | 2.82%         |
| 9) Setliff & Setliff Inc.                          | 13                   | Vacant Land   | 3,367,582         | 16,700            | 3,384,282              | 0.60%            | 2.64%         |
| 10) Bruce & Patricia L. Bossow                     | 1                    | Commercial    | 3,368,946         | 0                 | 3,368,946              | 0.60%            | 2.63%         |
| <b>Total Valuation</b>                             |                      |               | <b>63,971,969</b> | <b>18,979,210</b> | <b>82,951,179</b>      | <b>14.82%</b>    | <b>64.79%</b> |

- (1) Based on ownership of locally-assessed secured and unsecured property.
- (2) Based on 2006-07 Project Area taxable value of \$559,618,839.
- (3) This assessee has an appeal outstanding that could reduce taxable values by approximately \$7 million.
- (4) This assessee is no longer operating a business on this site. The property is located on the site owned by Sun Garden Gangi Canning Company.
- (5) Remaining unsold housing units.

Source: Stanislaus County property tax records.

Table 3  
Riverbank Redevelopment Agency  
Riverbank Reinvestment Project

**ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2006-07**

|  | <u>Taxable Value (1)</u> |
|--|--------------------------|
| <u>Local Secured</u>                         |                          |
| Land   | \$161,990,836            |
| Improvements                                 | 354,321,691              |
| Personal Property                            | 10,884,150               |
| Gross Local Secured                          | <hr/> 527,196,677        |
| Exempt                                       | 5,343,129                |
| Net Local Secured                            | <hr/> 521,853,548        |
| State Assessed                               | 1,976,451                |
| <u>Unsecured</u>                             |                          |
| Land   | 220,000                  |
| Improvements                                 | 24,160,991               |
| Personal Property                            | 11,448,886               |
| Total Unsecured                              | <hr/> 35,829,877         |
| Exempt                                       | 41,037                   |
| Net Unsecured                                | <hr/> 35,788,840         |
| <b>Total Value</b>                           | <b>559,618,839</b>       |
| Base Year Taxable Value                      | 431,581,275              |
| Incremental Taxable Value                    | <hr/> 128,037,564        |
| Tax Increment                                | 1,280,376                |
| Negative TRA Increment (2)                   | 24,727                   |
| <b>Total Tax Increment Revenue</b>           | <hr/> <b>1,305,103</b>   |
| <u>Adjustments to Tax Increment Revenue:</u> |                          |
| Property Tax Administration Fees (3)         | 16,966                   |
| <u>Liens on Tax Increment</u>                |                          |
| Housing Set-Aside (4)                        | 261,021                  |
| <b>Tax Revenues</b>                          | <hr/> <b>1,027,116</b>   |
| AB 1290 Tax Sharing Payments (5)             | 261,021                  |
| <b>Net Tax Increment Revenues</b>            | <hr/> <b>766,095</b>     |

- (1) Based on actual taxable values from Stanislaus County.
- (2) The County excludes all tax rate areas (TRA's) where the base year value exceeds the current year value. This has the impact of increasing tax increment by the amount shown.
- (3) Estimated based on 1.3% of Tax Increment.
- (4) Based on 20 percent of total tax increment revenue.
- (5) Tax sharing payments per the provisions of AB 1290.



Table 4  
Riverbank Redevelopment Agency  
Riverbank Reinvestment Project

**TAX INCREMENT PROJECTION**  
(000's Omitted)

| Fiscal Year | Escalated (1)<br>Real Property Value | New (2)<br>Development | Other (3)<br>Property Value | Total Value | Value Over Base Of<br>431,581 | (4)<br>Tax Increment | (5)<br>Negative TRA Increment | Total Tax Increment | (6)<br>Property Tax Admin. Fees | (7)<br>Housing Set-Aside | Tax Revenue | (8)<br>Statutory Payments | Net Tax Increment Revenue |
|-------------|--------------------------------------|------------------------|-----------------------------|-------------|-------------------------------|----------------------|-------------------------------|---------------------|---------------------------------|--------------------------|-------------|---------------------------|---------------------------|
| 2006        | -                                    | 2007                   | 535,309                     | N/A         | 24,309                        | 559,619              | 128,038                       | 1,280               | 25                              | 17                       | 1,305       | 261                       | 766                       |
| 2007        | -                                    | 2008                   | 526,799                     | 29,752      | 24,309                        | 580,860              | 149,279                       | 1,493               | 25                              | 20                       | 1,518       | 304                       | 891                       |
| 2008        | -                                    | 2009                   | 567,682                     | 15,361      | 24,309                        | 607,352              | 175,771                       | 1,758               | 25                              | 23                       | 1,782       | 356                       | 1,046                     |
| 2009        | -                                    | 2010                   | 594,703                     | 0           | 24,309                        | 619,013              | 187,431                       | 1,874               | 25                              | 25                       | 1,899       | 380                       | 1,115                     |
| 2010        | -                                    | 2011                   | 606,597                     | 0           | 24,309                        | 630,907              | 199,325                       | 1,993               | 25                              | 26                       | 2,018       | 404                       | 1,185                     |
| 2011        | -                                    | 2012                   | 618,729                     | 0           | 24,309                        | 643,039              | 211,457                       | 2,115               | 25                              | 28                       | 2,139       | 428                       | 1,256                     |
| 2012        | -                                    | 2013                   | 631,104                     | 0           | 24,309                        | 655,413              | 223,832                       | 2,238               | 25                              | 29                       | 2,263       | 453                       | 1,328                     |
| 2013        | -                                    | 2014                   | 643,726                     | 0           | 24,309                        | 668,035              | 236,454                       | 2,365               | 25                              | 31                       | 2,389       | 478                       | 1,403                     |
| 2014        | -                                    | 2015                   | 656,600                     | 0           | 24,309                        | 680,910              | 249,329                       | 2,493               | 25                              | 33                       | 2,518       | 504                       | 1,478                     |
| 2015        | -                                    | 2016                   | 669,732                     | 0           | 24,309                        | 694,042              | 262,461                       | 2,625               | 25                              | 34                       | 2,649       | 530                       | 1,555                     |
| 2016        | -                                    | 2017                   | 683,127                     | 0           | 24,309                        | 707,436              | 275,855                       | 2,759               | 25                              | 36                       | 2,783       | 557                       | 1,634                     |
| 2017        | -                                    | 2018                   | 696,790                     | 0           | 24,309                        | 721,099              | 289,518                       | 2,895               | 25                              | 38                       | 2,920       | 607                       | 1,691                     |
| 2018        | -                                    | 2019                   | 710,725                     | 0           | 24,309                        | 735,035              | 303,454                       | 3,035               | 25                              | 40                       | 3,059       | 658                       | 1,749                     |
| 2019        | -                                    | 2020                   | 724,940                     | 0           | 24,309                        | 749,249              | 317,668                       | 3,177               | 25                              | 42                       | 3,201       | 711                       | 1,809                     |
| 2020        | -                                    | 2021                   | 739,439                     | 0           | 24,309                        | 763,748              | 332,167                       | 3,322               | 25                              | 44                       | 3,346       | 764                       | 1,870                     |
| 2021        | -                                    | 2022                   | 754,227                     | 0           | 24,309                        | 778,537              | 346,956                       | 3,470               | 25                              | 45                       | 3,494       | 818                       | 1,932                     |
| 2022        | -                                    | 2023                   | 769,312                     | 0           | 24,309                        | 793,621              | 362,040                       | 3,620               | 25                              | 47                       | 3,645       | 874                       | 1,995                     |
| 2023        | -                                    | 2024                   | 784,698                     | 0           | 24,309                        | 809,008              | 377,426                       | 3,774               | 25                              | 49                       | 3,799       | 930                       | 2,059                     |
| 2024        | -                                    | 2025                   | 800,392                     | 0           | 24,309                        | 824,702              | 393,120                       | 3,931               | 25                              | 51                       | 3,956       | 988                       | 2,125                     |
| 2025        | -                                    | 2026                   | 816,400                     | 0           | 24,309                        | 840,709              | 409,128                       | 4,091               | 25                              | 54                       | 4,116       | 1,047                     | 2,192                     |
| 2026        | -                                    | 2027                   | 832,728                     | 0           | 24,309                        | 857,037              | 425,456                       | 4,255               | 25                              | 56                       | 4,279       | 1,107                     | 2,261                     |
| 2027        | -                                    | 2028                   | 849,383                     | 0           | 24,309                        | 873,692              | 442,111                       | 4,421               | 25                              | 58                       | 4,446       | 1,168                     | 2,330                     |
| 2028        | -                                    | 2029                   | 866,370                     | 0           | 24,309                        | 890,680              | 459,098                       | 4,591               | 25                              | 60                       | 4,616       | 1,231                     | 2,402                     |
| 2029        | -                                    | 2030                   | 883,698                     | 0           | 24,309                        | 908,007              | 476,426                       | 4,764               | 25                              | 62                       | 4,789       | 1,295                     | 2,474                     |
| 2030        | -                                    | 2031                   | 901,372                     | 0           | 24,309                        | 925,681              | 494,100                       | 4,941               | 25                              | 65                       | 4,966       | 1,360                     | 2,548                     |
| 2031        | -                                    | 2032                   | 919,399                     | 0           | 24,309                        | 943,708              | 512,127                       | 5,121               | 25                              | 67                       | 5,146       | 1,426                     | 2,624                     |
| 2032        | -                                    | 2033                   | 937,787                     | 0           | 24,309                        | 962,096              | 530,515                       | 5,305               | 25                              | 69                       | 5,330       | 1,494                     | 2,701                     |
| 2033        | -                                    | 2034                   | 956,543                     | 0           | 24,309                        | 980,852              | 549,271                       | 5,493               | 25                              | 72                       | 5,517       | 1,563                     | 2,779                     |
| 2034        | -                                    | 2035                   | 975,674                     | 0           | 24,309                        | 999,983              | 568,402                       | 5,684               | 25                              | 74                       | 5,709       | 1,633                     | 2,860                     |
| 2035        | -                                    | 2036                   | 995,187                     | 0           | 24,309                        | 1,019,497            | 587,915                       | 5,879               | 25                              | 77                       | 5,904       | 1,705                     | 2,941                     |
| 2036        | -                                    | 2037                   | 1,015,091                   | 0           | 24,309                        | 1,039,400            | 607,819                       | 6,078               | 25                              | 79                       | 6,103       | 1,778                     | 3,025                     |

(1) Future year values increased at 2 percent per year. The value for 2007-08 has been reduced for appeals impact.

(2) Based on completion of California Fruit & Tomato Kitchens.

(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.

(4) Based on the application of the 1 percent tax rate to incremental value.

(5) The County excludes all tax rate areas (TRA's) where the base year value exceeds the current year value.

This has the impact of increasing tax increment by the amount shown.

(6) Estimated based on 1.30 percent of tax increment.

(7) Calculated at 20 percent of tax increment.

(8) Statutory payments per the provisions of AB 1290.

Table 5  
Riverbank Redevelopment Agency  
Riverbank Reinvestment Project

**SCHEDULE OF NEW DEVELOPMENT**  
(000's Omitted)

| Development Description            | Sq. Footage/<br>No. Units | Cost Per<br>Foot/Unit | Total<br>Value | Less:<br>Value on<br>2007 | Total<br>Value Added |               |               |          |          |          |
|------------------------------------|---------------------------|-----------------------|----------------|---------------------------|----------------------|---------------|---------------|----------|----------|----------|
|                                    |                           |                       |                |                           |                      | 2008          | 2009          | 2010     | 2011     |          |
| <b>Real Property</b>               |                           |                       |                |                           |                      |               |               |          |          |          |
| Changes of Ownership               | N/A                       | N/A                   | 14,234         | \$0                       | 14,234               | 14,234        |               |          |          |          |
| JKB Housing - Phase 1 & 2 - Sold   | 50                        | 375,000.00            | 10,006         | 0                         | 10,006               | 10,006        | 0             | 0        | 0        | 0        |
| JKB Housing - Phase 1 & 2 - Unsold | 14                        | 375,000.00            | 5,250          | 2,752                     | 2,498                | 0             | 2,498         |          |          |          |
| JKB Housing - Phase 3              | 49                        | 375,000.00            | 18,375         | 0                         | 18,375               | 5,513         | 12,863        | 0        | 0        | 0        |
| <b>Total</b>                       |                           |                       | <b>47,864</b>  | <b>2,752</b>              | <b>45,112</b>        | <b>29,752</b> | <b>15,361</b> | <b>0</b> | <b>0</b> | <b>0</b> |

## APPENDIX D

### FORM OF FINAL OPINION OF BOND COUNSEL

[Addressees]

Re: \$12,315,000 Riverbank Redevelopment Agency, Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A)

\$3,120,000 Riverbank Redevelopment Agency, Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series B)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Riverbank Redevelopment Agency (the "Agency") in connection with the sale, execution and delivery of its \$12,315,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A) (the "Series A Bonds"), and its \$3,120,000 principal amount of Riverbank Reinvestment Project, Tax Allocation Housing Set-Aside Bonds (2007 Series B) (the "Series B Bonds" and together with the Series A Bond, the "Bonds").

The Bonds are being issued pursuant to 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 (the "Law"). The Bonds are being issued pursuant to separate respective Indentures, each dated as of February 1, 2007 (the "Indentures"), between the Agency and U.S. Bank National Association (the "Trustee"). The proceeds of the Bonds are being used to finance and refinance certain improvements in the Agency's Riverbank Reinvestment Project. The Bonds are limited obligations of the Agency and are payable from, and secured by a lien on, Tax Revenues and Housing Set-Aside Revenues (as defined in the Indentures), as applicable, and from certain interest and other income derived from certain funds and accounts held under the Indentures.

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 Indentures have been duly adopted by the Agency and constitutes the valid and binding obligations of the Agency enforceable against the Agency in accordance with their respective terms. The Indentures creates a valid lien on and pledge of the Tax Revenues and Housing Set-Aside Revenues, as applicable, and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the respective Indentures.

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 respective Indentures.

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"), and is exempt from personal income taxes of the State of California under present law. In addition, neither the Bonds nor the Indentures 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 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 Indentures and in the Tax Certificates of the Agency, dated as of the date hereof, concerning the use of the facilities financed and refinanced 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 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,

LAW OFFICES OF CAMERON A. WEIST

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Riverbank Redevelopment Agency (the “Agency”) in connection with the issuance of two separate series of tax allocation bonds, titled (i) the Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A) (the “Series A Bonds”), and (ii) the Riverbank Reinvestment Project, Tax Allocation Housing Set-Aside Bonds (2007 Series B) (the “Series B Bonds,” and together with the Series A Bond, are collectively referred as the “Bonds.” The Series A Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2007 (the “Series A Indenture”) by and between the Agency and U.S. Bank National Association, as the trustee named therein (the “Series A Trustee”), and the Series B Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2007 (the “Series B Indenture”) by and between the Agency and U.S. Bank National Association, as the trustee named therein (the “Series B Trustee”). The proceeds of the Series A Bonds will be applied to (i) finance certain non-housing related redevelopment activities of the Agency, (ii) fund a reserve account for the Series A Bonds, (iii) fund capitalized interest for the Series A Bonds, and (iv) pay all costs of issuance relating to the Series A Bonds. The proceeds of the Series B Bonds will be applied to (i) finance certain housing-related redevelopment activities of the Agency, (ii) fund a reserve account for the Series B Bonds, (iii) fund capitalized interest for the Series B Bonds, and (iv) pay all costs of issuance relating to the Series B Bonds.

Pursuant to both the Series A Indenture and the Series B Indenture (collectively, sometimes hereafter referred to as the “Indentures”), the Agency covenants and agrees as follows:

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

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

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

“*Dissemination Agent*” shall mean U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

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

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at [www.sec.gov/consumer/nrmsir.htm](http://www.sec.gov/consumer/nrmsir.htm).

“*Official Statement*” shall mean the final Official Statement with respect to the Bonds, dated February 6, 2007.

“*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 Certificate, there is no State Repository

### Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Agency’s Fiscal Year, commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, 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, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure



Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain the following information:

(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) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information with respect to the Project Area for the most recently completed fiscal year:

(i) Tax Revenues and Housing Set-Aside Revenues for the most recent fiscal year;

(ii) An update of the ten (10) largest assesseses in substantially the format of Table 8 of the Official Statement;

(iii) Issuance by the Agency of any Parity Debt, including date of issue, amount, term, rating, and any applicable bond insurance;

(iv) Discussion of any property tax appeals which, either alone or in the aggregate, could have a material adverse effect on either the Tax Revenues or the Housing Set-Aside Revenues;

(v) Amount of all Agency debt outstanding secured by a pledge of the Tax Revenues and Housing Set-Aside Revenues and cumulative amount of Tax Revenues and Housing Set-Aside Revenues received by the Agency to date; and

(vi) Current year annual debt service and debt service coverage ratio for the Bonds and all Parity Debt of the Agency in substantially the format of Tables 11 and 12 of the Official Statement.

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

Any or all of the items listed above may be modified as appropriate to reflect new industry standards as they evolve and are endorsed by the California Public Securities Association, and 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:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Contingent or unscheduled bond calls;
- (ix) Defeasances; and
- (x) Release, substitution, or sale of property securing repayment of the securities.

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

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (iv) 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.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

#### Section 7. Dissemination Agent.

(a) The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. If at any time there is no designated Dissemination Agent appointed by the Agency, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Agency shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees and expenses, as agreed to between the Dissemination Agent and the Agency. The Dissemination Agent shall have no duty or obligation to review any information provided to it by Agency hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel.

(c) The Dissemination Agent may at any time resign by giving written notice of such resignation to the Agency.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to

enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or any Supplemental Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Section 13. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Agency to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Agency to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Agency to disclose information concerning any owner of land within the Agency except as required as part of the information required to be disclosed by the Agency pursuant to Section 4 and Section 5 hereof.

Date: February \_\_, 2007

RIVERBANK REDEVELOPMENT AGENCY

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

Accepted and Acknowledged:

U.S. Bank National Association, as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Riverbank Redevelopment Agency

Name of Bond Issue: (i) the Riverbank Reinvestment Project, Tax Allocation Bonds (2007 Series A) (the "Series A Bonds"), and (ii) the Riverbank Reinvestment Project, Tax Allocation Housing Set-Aside Bonds (2007 Series B)

Date of Issuance: February \_\_, 2007

NOTICE IS HEREBY GIVEN that the Riverbank Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust authorizing the issuance of the Bonds. The Agency anticipates that the Annual Report will be filed by\_\_\_\_\_.

Dated:\_\_\_\_\_

RIVERBANK REDEVELOPMENT AGENCY

By\_\_\_\_\_

## APPENDIX F

### 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, initially 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 depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation. (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as 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](http://www.dtcc.com).

**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 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 AGENCY 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 redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

**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 transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15<sup>th</sup> day after the Trustee's receipt of such request.

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