NEW ISSUE- FULL BOOK ENTRY
BANK QUALIFIED

RATING: S&P: "A-"
(See "RATING" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2008 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the 2008 Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$3,425,000
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
2008 Tax Allocation Bonds

Dated: Date of Delivery **Due: September 1, as shown below**

The Redevelopment Agency of the City of Lakeport, Lakeport Redevelopment Project, 2008 Tax Allocation Bonds (the "2008 Bonds") are being issued by the Redevelopment Agency of the City of Lakeport (the "Agency") pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law") and an Indenture of Trust dated as of May 1, 2008 (described herein). The 2008 Bonds area being issued to fund redevelopment activities of benefit to the Agency's Lakeport Redevelopment Project (the "Project Area").

The 2008 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the 2008 Bonds. Interest on the 2008 Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2008 by Union Bank of California, N.A., San Francisco, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2008 Bonds.

The 2008 Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions described herein. See "THE 2008 BONDS – Redemption" herein.

The 2008 Bonds are special obligations of the Agency and are payable, on a parity with other obligations of the Agency, from Tax Revenues (as defined herein) consisting primarily of tax increment revenues derived from property in the Project Area) and allocated to the Agency pursuant to the Redevelopment Law. No funds or properties of the Agency, other than the pledged tax increment revenues are pledged to secure the 2008 Bonds. See "SECURITY FOR THE 2008 BONDS." The receipt of Tax Revenues is subject to certain risks and limitations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

THE 2008 BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF LAKEPORT, 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 2008 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NEITHER THE AGENCY, THE CITY NOR ANY PERSONS EXECUTING THE 2008 BONDS ARE LIABLE PERSONALLY ON THE 2008 BONDS BY REASON OF THEIR ISSUANCE.

The following firm, serving as financial advisor, has assisted in the structuring of this issue:

NORTHCROSS | HILL | ACH
Financial Advisors to Public Agencies

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2008 Bonds. Investors should review the entire Official Statement before making any investment decision.

The 2008 Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Lakeport. It is anticipated that the 2008 Bonds will be available for delivery through the facilities of DTC on or about May 22, 2008.

Dated: May 8, 2008

Edward Jones

REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount	Interest Rate	Price	CUSIP† 512031
2009	$ 15,000	2.50%	100	AA3
2010	10,000	2.75	100	AB1
2011	10,000	3.00	100	AC9
2012	15,000	3.20	100	AD7
2013	15,000	3.40	100	AE5
2014	15,000	3.55	100	AF2
2015	15,000	3.70	100	AG0
2016	15,000	3.85	100	AH8
2017	20,000	4.00	100	AJ4
2018	15,000	4.10	100	AK1
2019	20,000	4.20	100	AL9
2020	85,000	4.30	100	AM7
2021	85,000	4.40	100	AN5
2022	95,000	4.50	100	AP0
2023	95,000	4.60	100	AQ8
2024	105,000	4.70	100	AR6
2025	105,000	4.75	100	AS4
2026	130,000	4.80	100	AT2
2027	145,000	4.85	100	AU9
2028	155,000	4.90	100	AV7

$885,000 5.000% Term Bonds Due September 1, 2033 — Price: 100.000%; CUSIP†: 512031 AW5
$1,375,000 5.050% Term Bonds Due September 1, 2038 — Price: 100.000%; CUSIP†: 512031 AX3

† CUSIP® A registered trademark of the American Bankers Association. Copyright© 1999-2008 Standard & Poor's, Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2008 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2008 Bonds.

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

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the 2008 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 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 provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

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

REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT

AGENCY BOARD

Buzz Bruns, Chair
Ronald Bertsch, Vice Chair
James Irwin, Member
Roy Parmentier, Member
Robert Rumfelt, Member

CITY/AGENCY STAFF

Jerry Gillham, City Manager/Executive Director of the Agency
Janet Tavernier, Treasurer of the Agency
Richard Knoll, Redevelopment Manager
Janel Chapman, City Clerk/Secretary of the Agency

BOND RELATED SERVICES

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

Bond and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor
Northcross Hill & Ach, Inc.
San Rafael, California

Fiscal Consultant
Fraser & Associates
Roseville, California

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OFFICIAL STATEMENT

$3,425,000
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
2008 Tax Allocation Bonds

This Official Statement (which includes the cover page and Appendices hereto) (the "**Official Statement**"), provides certain information in connection with the sale by the Redevelopment Agency of the City of Lakeport (the "**Agency**") of its Lakeport Redevelopment Project, 2008 Tax Allocation Bonds (the "**2008 Bonds**").

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Indenture. See "APPENDIX C – Summary of Certain Provisions of the Indenture."

INTRODUCTION

This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement.

Authority for Issuance. The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the "**State**"), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "**Redevelopment Law**"). The 2008 Bonds are being issued under the Redevelopment Law and pursuant to an Indenture of Trust dated as of May 1, 2008 (the "**Indenture**") between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee (the "**Trustee**").

The 2008 Bonds will initially be purchased by the Lakeport Public Financing Authority (the "**Authority**") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "**JPA Law**"). The 2008 Bonds purchased by the Authority will be resold concurrently to Edward D. Jones &Co., L.P., as underwriter (the "**Underwriter**").

Use of Proceeds. The proceeds of the 2008 Bonds will be used to (i) provide funds for programs, projects and activities of benefit to property within the Agency's Lakeport Redevelopment Project Area (the "**Project Area**"), (ii) fund a reserve account for the 2008 Bonds and to pay the costs of issuing the 2008 Bonds. See "PLAN OF FINANCE."

Security for the 2008 Bonds. In California, the financing and refinancing of redevelopment projects may be provided by the issuance of tax allocation bonds. Such bonds are payable from tax increment revenues, which consist generally of *ad valorem* property taxes attributable to increases in the assessed valuation of certain property (except public property and property exempt from taxation) in the Project Area over that shown on the assessment rolls for the adjusted base year, as explained in greater detail herein. Such taxes are eligible for allocation to the Agency pursuant to the Redevelopment Law. The 2008 Bonds are secured by a pledge of and first lien on the **"Tax Revenues"** as described herein which consist primarily of tax increment revenues derived from the Project Area, net of tax increment revenues required to be utilized for low- and moderate-income housing purposes, and net of certain amounts payable to other taxing agencies. The Agency has previously issued its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "**2004A Bonds**") in the aggregate principal amount of $1,070,000 and its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series B (the "**2004B Bonds**" and, together with the 2004A Bonds, the "**2004 Bonds**") in the aggregate principal amount of $1,170,000, which are also payable from and secured by a parity pledge on Tax Revenues. The fiscal year 2007-08 total assessed value of the Project Area is $204,919,833, of which tax increment revenue is generated from the incremental assessed value of $90,548,836, representing the excess of the value of the Project Area over the base year value of $179,021,281. Tax Revenues are more fully described under the caption "SECURITY FOR THE 2008 BONDS".

Risk Factors. Risks of investment in the 2008 Bonds include the possibility of future decreases in the taxable valuation in the Project Area or in the applicable tax rates, which could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the 2008 Bonds. See "RISK FACTORS" herein.

Bank Qualified. The Agency has designated the Certificates as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. See "TAX MATTERS" herein.

The City. The City of Lakeport (the "**City**"), is located on the western shore of Clear Lake, in west-central Lake County (the "**County**"), in northwestern California. The City is located generally just north of the northern intersection of State Routes 175 and 29, and south of the intersection of State Routes 29 and 20. The City is about 45 miles northeast of Santa Rosa, the closest metropolitan area. The City has a population of approximately 5,100, and the County has a population of approximately 60,000. See "Appendix D – GENERAL INFORMATION ABOUT THE CITY OF LAKEPORT AND LAKE COUNTY" for general demographic information on the City and County. *The 2008 Bonds are not an obligation of the City or the County.*

The Agency. The Agency was established pursuant to the Redevelopment Law. The Agency was activated by an Ordinance adopted by the City Council in 1986, at which time the City Council declared itself to be the governing board of the Agency.

The Project Area. The Redevelopment Plan for the Project Area was adopted by the City Council pursuant to Ordinance No. 799 (99) adopted on June 7, 1999. The total redevelopment Project Area consists of approximately 612 acres, including commercial, industrial and residential uses.

Miscellaneous. There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the 2008 Bonds, the Agency, the Tax Revenues, the Project Area, the security for the 2008 Bonds, risk factors, limitations on Tax Revenues and certain other information relevant to the issuance of the 2008 Bonds. All references herein to the Indenture are qualified in their entirety by reference to the definitive form thereof, and all references to the 2008 Bonds are further qualified by references to the information with respect thereto contained in the Indenture. A summary of certain provisions of the Indenture is included in APPENDIX C. The most recent audited financial statements of the Agency are included in APPENDIX A. The information set forth herein and in the Appendices hereto has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. All capitalized terms used herein and not normally capitalized have the meanings assigned thereto in the Indenture, unless otherwise stated herein.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Agency or the City from their records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the Agency or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE 2008 BONDS

Description

The 2008 Bonds will be dated their date of issuance and delivery (the "**Closing Date**"), will bear interest at the rates per annum set forth on the cover page hereof payable semiannually on March 1 and September 1 (each, an "**Interest Payment Date**"), commencing September 1, 2008, and will mature on the dates and in the amounts set forth on the cover page hereof. The 2008 Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The 2008 Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("**DTC**"), as registered owner of all 2008 Bonds. Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture. See "Transfer and Exchange of Bonds" below. While the 2008 Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the 2008 Bonds. See "APPENDIX G – Book Entry Only System".

Interest on the 2008 Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2008 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. However, at the written request of the Owner of 2008 Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee prior to any Record Date, interest on such 2008 Bonds will be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request. The principal of the 2008 Bonds and any redemption premium shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof to the Trustee.

Redemption

Optional Redemption. The 2008 Bonds maturing on or before September 1, 2017, are not subject to redemption prior to their respective stated maturities. The 2008 Bonds maturing on or after September 1, 2018, are subject to redemption prior to maturity, at the option of the Authority, in whole or in part among maturities on such basis as designated by the Authority and by lot within a maturity, from any available source of funds, on September 1, 2017, and on any date thereafter, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) of par, together with accrued interest thereon to the date fixed for redemption.

2008 Bonds Mandatory Sinking Fund Redemption. The 2008 Bonds maturing on September 1, 2033 and on September 1, 2038 (the "Term 2008 Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term 2008 Bonds have been redeemed under the optional redemption provisions, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term 2008 Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of $5,000 (as set forth in a schedule provided by the Agency to the Trustee).

Term 2008 Bonds Maturing September 1, 2033

September 1	Principal Amount
2029	$ 160,000
2030	170,000
2031	175,000
2032	185,000
2033 (maturity)	195,000

Term 2008 Bonds Maturing September 1, 2038

September 1	Principal Amount
2034	$ 205,000
2035	215,000
2036	300,000
2037	320,000
2038 (maturity)	335,000

General Redemption Provisions

Notice of Redemption. The Trustee will mail (by first class mail) notice of any redemption to the respective Owners of any 2008 Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Rating Agencies, to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2008 Bonds or the cessation of the accrual of interest thereon.

Such notice will include the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the 2008 Bond numbers (if less than all 2008 Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the 2008 Bonds of such maturity or maturities in whole) of the 2008 Bonds to be redeemed, and must require that such 2008 Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such 2008 Bonds will not accrue from and after the redemption date.

Rescission. The Agency has the right to rescind any notice of the optional redemption of 2008 Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2008 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Selection of Bonds for Redemption. When less than all the Outstanding 2008 Bonds of a series maturing on any one date are called for redemption at any one time, the Trustee will select the 2008 Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all 2008 Bonds will be deemed to be comprised of separate $5,000 denominations and such separate denominations will be treated as separate 2008 Bonds which may be separately redeemed.

Partial Redemption. If only a portion of any 2008 Bond is called for redemption, then upon surrender of such 2008 Bond the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2008 Bond or 2008 Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2008 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the 2008 Bonds so called for redemption have been duly provided, such 2008 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange. *So long as the 2008 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2008 Bonds will be made in accordance with DTC procedures. See "Appendix G" below.* Any 2008 Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such 2008 Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any 2008 Bond or 2008 Bonds shall be surrendered for registration of transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new 2008 Bond or 2008 Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee may refuse to transfer (i) any 2008 Bonds selected by the Trustee for redemption or (ii) any 2008 Bonds during the period established by the Trustee for the selection of Bonds for redemption.

PLAN OF FINANCE

Proceeds of the 2008 Bonds are eligible to be used to finance redevelopment activities within and of benefit to property within the Agency's Lakeport Redevelopment Project by providing funds for capital facilities, programs, projects and authorized activities. The Agency currently expects to use a portion of the proceeds for downtown area infrastructure improvements, streetscape and building façade improvements, and business attraction and incentive programs, however the actual use of funds may be among other projects which benefit the Project Area.

The anticipated sources and uses of funds relating to the 2008 Bonds are as follows:

SOURCES:	
Principal Amount of the 2008 Bonds	$3,425,000.00
Total Sources:	$3,425,000.00
USES:	
Deposit to Project Fund	$2,925,000.00
Deposit to Reserve Fund	300,391.67
Costs of Issuance[1]	199,608.33
Total Uses:	$3,425,000.00

[1] Includes the Underwriter's Discount, Trustee fees, Fiscal Consultant fees, financial advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, and other related costs.

DEBT SERVICE SCHEDULES

Scheduled debt service on the 2008 Bonds, as well as the 2004A Bonds and the 2004B Bonds, without regard to any optional redemption, is shown in the following table.

REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
2008 Bonds, 2004A Bonds and 2004B Bonds Debt Service Schedules

Bond Year Ending Sept. 1	2004A Bonds Debt Service	2004B Bonds Debt Service	2008 Bonds Principal	2008 Bonds Interest	2008 Bonds Total	Total Parity Obligation Debt Service
2008	$61,558	$111,707	--	$45,754	$45,754	$219,019
2009	61,308	109,133	15,000	166,378	181,378	351,819
2010	61,033	111,559	10,000	166,003	176,003	348,595
2011	60,723	113,270	10,000	165,728	175,728	349,721
2012	60,403	109,728	15,000	165,428	180,428	350,559
2013	60,063	111,186	15,000	164,948	179,948	351,197
2014	59,638	112,391	15,000	164,438	179,438	351,467
2015	59,268	113,343	15,000	163,905	178,905	351,516
2016	63,878	108,787	15,000	163,350	178,350	351,015
2017	58,263	109,231	20,000	162,773	182,773	350,267
2018	62,843	109,407	15,000	161,973	176,973	349,223
2019	62,198	109,315	20,000	161,358	181,358	352,871
2020	91,538	13,955	85,000	160,518	245,518	351,011
2021	94,288	13,390	85,000	156,863	241,863	349,541
2022	91,988	12,825	95,000	153,123	248,123	352,936
2023	94,688	12,260	95,000	148,848	243,848	350,796
2024	91,869	11,695	105,000	144,478	249,478	353,042
2025	94,050	11,130	105,000	139,543	244,543	349,723
2026	75,975	10,565	130,000	134,555	264,555	351,095
2027	78,613	--	145,000	128,315	273,315	351,928
2028	75,988	--	155,000	121,283	276,283	352,271
2029	78,363	--	160,000	113,688	273,688	352,051
2030	75,475	--	170,000	105,688	275,688	351,163
2031	77,588	--	175,000	97,188	272,188	349,776
2032	79,438	--	185,000	88,438	273,438	352,876
2033	76,025	--	195,000	79,188	274,188	350,213
2034	77,613	--	205,000	69,438	274,438	352,051
2035	78,938	--	215,000	59,085	274,085	353,023
2036	--	--	300,000	48,228	348,228	348,228
2037	--	--	320,000	33,078	353,078	353,078
2038	--	--	335,000	16,918	351,918	351,918

SECURITY FOR THE 2008 BONDS

Tax Allocation Financing

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

Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each Fiscal Year beginning after the effective dates of the ordinance approving the redevelopment plan are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior the effective dates of the ordinances referred to above (the "**Base Year Amount**") shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See "Tax Revenues," below.

Limited Obligation; Tax Revenues

The 2008 Bonds are and will be equally secured by a first (but on a parity with the 2004 Bonds) pledge of, security interest in and lien on all of the Tax Revenues (defined in the following paragraph) and the moneys in the Special Fund and the Debt Service Fund (including the Reserve Account) which are established under the Indenture. Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2008 Bonds and Parity Debt.

"**Tax Revenues**" is defined in the Indenture to mean, all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to Agency Debt. "Tax Revenues" do not include all amounts of such taxes required to be paid by the Agency to other taxing agencies under the Tax-Sharing Statutes, unless such payments have been subordinated to the pledge and lien which secures Agency Debt.

The Agency currently has outstanding obligations secured by Tax Revenues on a parity with the 2008 Bonds. Additionally, under the Indenture, the Agency may incur additional loans, advances or indebtedness issued or incurred by the Agency on a parity with the 2008 Bonds ("**Additional Bonds**") which Parity Debt shall be equally secured, on a parity with the 2008 Bonds, by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund and Reserve Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Certain conditions are required to be met for the issuance of Additional Bonds. See "Parity Debt" below. See also "APPENDIX C – Summary of Certain Provisions of the Indenture".

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the 2008 Bonds and, consequently, the principal of, and interest on, the 2008 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

THE 2008 BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA, THE CITY OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE, THE CITY NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE THEREON. THE AGENCY HAS NO TAXING POWER. THE 2008 BONDS ARE REVENUE BONDS, PAYABLE EXCLUSIVELY FROM THE TAX REVENUES AND OTHER FUNDS AS PROVIDED IN THE INDENTURE. THE OBLIGATIONS OF THE AGENCY UNDER THE 2004 BONDS, 2008 BONDS AND ANY ADDITIONAL BONDS OF THE AGENCY ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

In consideration of the acceptance of the 2008 Bonds by those who shall hold the same from time to time, the Indenture constitutes a contract between the Agency and the Owners from time to time of the 2008 Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency are for the equal and proportionate benefit, security and protection of all owners of the 2008 Bonds without preference, priority or distinction as to security or otherwise of any of the 2008 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the 2008 Bonds or in the Indenture.

Low and Moderate Income Housing

Sections 33334.2 and 33334.3 of the Redevelopment Law require the Agency to set aside not less than 20% of tax increment revenues allocated to the Agency in a low and moderate income housing fund (the "**Housing Fund**") to be expended for authorized low and moderate income housing purposes (the "**Housing Set-Aside Revenues**"). Amounts on deposit in the Housing Fund may also be applied to pay debt service on bonds, loans or advances used to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the Housing Set-Aside Revenues could be reduced or eliminated if the Agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing, (2) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need or (3) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, or equivalent impact are being provided for in the community. The Agency has not made any of the foregoing findings, nor does it expect to do so in the future.

The 2008 Bonds are secured by a pledge of and first lien on the Tax Revenues, which consist primarily of tax increment revenues derived from the Project Area, including tax increment revenues required to be utilized for low- and moderate-income housing purposes to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the 2008 Bonds. *The 2008 Bonds are not being used for low- and moderate-income housing purposes; therefore, the Housing Set-Aside Revenues will not be available to pay debt service on the 2008 Bonds.*

Reserve Account

Under the Indenture, a Reserve Account is established and held by the Trustee and pledged to payment of the 2008 Bonds. On the Closing Date for the 2008 Bonds, a portion of 2008 Bond proceeds will be deposited into the 2008 Bonds Reserve Account in the amount of the Reserve Account Requirement. "**Reserve Account Requirement**" is defined in the Indenture to mean, as of the date of any calculation, the amount of Maximum Annual Debt Service on the 2008 Bonds. **"Maximum Annual Debt Service"** means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Fiscal Year, the sum of (a) the amount of interest payable on the principal balance of the Agency Debt in such Fiscal Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the outstanding Agency Debt in such Fiscal Year, including any principal required to be redeemed by operation of mandatory sinking fund payments. For purposes of such calculation, (i) there will be disregarded any Agency Debt to the extent defeased or discharged in accordance with the terms thereof, and (ii) the principal of and interest on any Parity Debt must be computed on the assumption that all amounts on deposit in any escrow fund established for such Parity Debt were withdrawn therefrom and applied to the mandatory pro rata redemption of such Parity Debt.

If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. The Trustee shall apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the 2008 Bonds is due and payable hereunder, if there is a deficiency at any time in any of such accounts, or (ii) at any time for the retirement of all the 2008 Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement on the Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

On the date on which all of the Outstanding 2008 Bonds mature or are scheduled to be redeemed, the Agency may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal or redemption price of the 2008 Bonds on that date. Any amounts remaining in the Reserve Account following payment or redemption of the Outstanding 2008 Bonds in full shall be withdrawn therefrom by the Trustee and paid to the Agency (or to the City, if so directed in writing by the Agency) to be used for any lawful purposes.

The Agency may tender to the Trustee a Qualified Reserve Account Credit Instrument (as defined in the Indenture), accompanied by an opinion of Bond Counsel stating that the acceptance of such Qualified Reserve Account Credit Instrument will not cause interest on the 2008 Bonds to become includable in gross income for purposes of federal income taxation. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency is obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

Parity Debt

Outstanding Parity Debt. The Agency has previously issued its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series A (the "**2004A Bonds**") in the aggregate principal amount of $1,070,000 and its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series B (the "**2004B Bonds**" and, together with the 2004A Bonds, the "**2004 Bonds**") in the aggregate principal amount of $1,170,000, which are also payable from and secured by a parity pledge on Tax Revenues. Other than the 2004 Bonds, the Agency currently has no outstanding indebtedness payable from Tax Revenues on a parity with or senior to the 2008 Bonds. See "DEBT SERVICE SCHEDULES" above for the annual debt service requirements remaining on the 2004 Bonds.

Additional Bonds. In addition to the 2004 Bonds and the 2008 Bonds, the Agency may issue bonds, notes, loans, advances or other indebtedness (**"Parity Debt"**) issued or incurred by the Agency on a parity with the 2004 Bonds and the 2008 Bonds under the Indenture in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Tax Revenues for the then current Fiscal Year is at least equal to 150% of the amount of Maximum Annual Debt Service on all Agency Debt (which includes the 2004 Bonds and the 2008 Bonds) which will be Outstanding following the issuance of such Parity Debt. For purposes of this test, annual debt service on any Parity Debt the proceeds of which have been deposited into an escrow fund as provided in subsection (d) below will be excluded.

(c) The Supplemental Indenture or other document providing for the issuance of such Parity Debt must provide that:

(i) interest on said Parity Debt is payable on March 1 and September 1 in each year of the term of such Parity Debt, except that interest during the first twelve month period may be payable on any March 1 or September 1;

(ii) the principal of such Parity Debt is payable on March 1 or September 1 in any year in which principal is payable; and

(iii) an amount is deposited in a reserve fund from the proceeds of the sale of such Parity Debt in an amount equal to Maximum Annual Debt Service on such Parity Debt or such lesser amount as is the maximum permitted under the Tax Code.

(d) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may be released to the Agency to the extent the amount of Tax Revenues for the most recent Fiscal Year (as evidenced in the written records of the County), is at least equal to 150% of the amount of Maximum Annual Debt Service on all Agency Debt which will be Outstanding following the issuance of such Parity Debt.

(e) The issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations. Without limiting the generality of the foregoing, the Agency may not issue any Parity Debt in the event and to the extent that either:

(i) the aggregate amount of debt service on all outstanding obligations of the Agency, including such Parity Debt, exceeds the aggregate amount of Tax Revenues which are eligible under the Redevelopment Plan to be allocated and paid to the Agency during the period while such outstanding obligations remain outstanding, or

(ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Debt, exceeds any applicable limit in the Redevelopment Plan on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time.

(f) The Agency must deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in the Indenture, all of the conditions precedent to the issuance of such Parity Debt in the 2004 Bond Agreement and in the documents authorizing the issuance of all other Parity Debt have been satisfied.

THE AGENCY AND THE PROJECT AREA

Authority and Personnel

The Agency was activated by ordinance in 1986, adopted by the City Council of the City pursuant to the Redevelopment Law. All powers of the Agency are vested in its five-member governing board. The members of the City Council serve as members of the Agency. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property and the right to issue Bonds and expend the proceeds. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired in connection with such development, and can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

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

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, to the extent that (1) such improvements are of benefit to the Project Area, (2) no other reasonable means of financing is available and (3) will eliminate blight within the Project Area. The Agency must sell or lease remaining property acquired by it within the Project Area for redevelopment by others in strict conformity with the Redevelopment Plan, and may specify a period within which such redevelopment must begin and be completed.

The Redevelopment Plan provides for participation by owners of property located in the Project Area by giving owners the opportunity to retain their existing properties, acquire other properties, rehabilitate existing improvements, develop property or sell properties to the Agency. Such participation may be secured by a binding agreement between the Agency and the owner by which the owner agrees to rehabilitate, develop and use and maintain the property in conformance with the Redevelopment Plan.

Agency Administration

The Agency adopts a budget annually, which is approved by the City Council. A portion of salaries and benefits of certain City staff members are budgeted and paid for by the Agency. The Agency funds administrative costs out of advances made by the City for such purpose and repays the City advances out of available tax increment revenues.

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of

the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. Nicholson & Olson, Certified public Accountants, Roseville, California (the "Auditor"), audited the financial statements of the Agency for the fiscal year ended June 30, 2007. The firm's examination was made in accordance with generally accepted auditing standards. The City and the Agency follow fund accounting principles reflecting the modified accrual basis of accounting in which revenue is recognized when earned or otherwise becomes available, and expenditures are recognized when incurred. See "APPENDIX A - Audited Financial Statements of the Agency for Fiscal Year Ended June 30, 2007."

The Agency has not requested nor did the Agency obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Agency.

In connection with the issuance of the 2008 Bonds, the Agency has engaged Fraser & Associates, Inc., Roseville, California (the "**Fiscal Consultant**") to prepare a Fiscal Consultant Report dated April 2008. See "APPENDIX B – Fiscal Consultant Report".

The Redevelopment Plan

The Lakeport Redevelopment Project was formally established with the adoption by the City Council of a redevelopment plan for the Redevelopment Project (the **"Redevelopment Plan"**) by Ordinance No. 799 (99), adopted on June 7, 1999. The Redevelopment Plan has not been amended.

Conditions within the Project Area prior to adoption of the Redevelopment Plan met the statutory tests for blight, with findings of substandard, deteriorating and obsolete buildings; inadequate public improvements, facilities and utilities; a prevalence of depreciated values, and economic maladjustment; and other conditions detrimental to the public safety and welfare. However, is believed to have continued potential for strengthening and revitalizing the City's economic base and improving environmental conditions within the area.

City of Lakeport
Re-Dev Prj.
Lakeport, CA 95453

City of Lakeport Redevelopment Project Area - 2008

Map Date
March 27, 2008

Legend

Redevelopment Project Area 2008

0 625 1,250 2,500 Feet

Prepared & Printed by Travis Engstrom North Star Precision Mapping 339 Faulkner Street Mountain House, CA 95391 Phone (510) 590-7984
Projection coordinate system name: NAD 1983 State Plane California II FIPS 0402 Feet Geographic coordinate system name: GCS North American 1983

North Star Precision
GIS Mapping Solutions

The Project Area

General. The Project Area includes approximately 612 acres and covers all of downtown and land to the west, north, and south. The Project Area contains much of the oldest developed land area within the City, including the downtown commercial core, lakefront motels, mobile home parks, Main Street commercial areas north and south of downtown, and the office and residential areas to the west. Much of the early land development activity within the Project Area took place in the late 1800s through the 1980s. The areas near the lake along Main and Forbes Streets and on the east/west streets near downtown were the first to develop. There are many older buildings in the Project Area that require repair and revitalization, and there is a need to upgrade public facilities and infrastructure as well.

Several motels in the North Main Street area are 50+ years old. Special use mobilehome parks (Lucky 4 and Will-O-Point) have provided low-cost permanent housing, seasonal housing, RV and camping spaces, and cabins for decades. There are numerous deteriorated sewer and water lines, undersized and non-standard storm drainage facilities, and similar substandard infrastructure issues in the Project Area. Some of the current land uses in the Project Area, such as auto body and auto repair shops, are dated or are situated in inappropriate locations.

City policy is to enhance the vitality of downtown. In order to achieve the goals for improving this area, adopted downtown design policies emphasize a public/private program to promote this area as the economic and cultural center of the community. The plans call for a friendly and safe environment which is inviting to pedestrians, with special lighting, new landscaping, street furniture, and pedestrian paths. City policy also calls for strengthening the relationship of downtown to the Clear Lake waterfront by protecting scenic views, improving access to the lake, and providing additional public amenities.

Recent activities of the Agency and the City include: preparation of the Downtown Improvement Plan (2006), placement of 35 new double-globe Sternberg decorative light poles on Main Street, engineering design for Phase I of the Downtown Improvement Project on Third and Park Streets (out to bid), downtown transformation public meetings, and issuance of an RFQ for an architectural firm for the Downtown Façade Enhancement Program (selection process).

Land Use. The table below summarizes land use, as shown on the County Assessor's tax roll, within the Project Area for Fiscal Year 2007-08.

	Parcels	Taxable Value	% of Total
Residential	881	$117,377,510	61.65%
Commercial	227	71,783,037	37.70
Industrial	10	1,223,013	0.64
Other	17	0	0.00
Total Secured	1,135	$190,383,560	100.00%

New Development. There are two significant projects currently under construction within the Project Area.

Schall Industrial Park. This industrial park development consists of three buildings with a combined square footage of over 49,000 square feet. Construction is expected to be completed in 2008. This project is expected to add approximately $3,677,000 to the assessed value of the Project Area in Fiscal Year 2009-2010.

Plaza Paint Building. This building is planned to include over 2,600 square feet and is expected to add approximately $317,000 to the assessed value of the Project Area in Fiscal Year 2009-2010.

Assessed Valuation

Tax Revenues to be used for payment of the 2008 Bonds are generated from increases in the total assessed value above the base year value. See "SECURITY FOR THE 2008 BONDS – Tax Revenues." In or about August of each year, the County Auditor-Controller provides a report of the current year and base year values for the Project Area. The current (fiscal year 2007-08) total assessed value of the Project Area is $204,919,883, of which tax increment revenue is generated from the incremental assessed value of $90,548,836, representing the excess of the value of the Project Area over the base year value of $114,370,047.

The following table shows the assessed valuation of property in the Project Area during fiscal years 2003-04 through 2007-08. For additional information regarding assessed valuation in the Project Area, see the Fiscal Consultant Report in Appendix B.

TABLE 3
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
Historic Assessed Value and Incremental Value

Fiscal Year	Total Taxable Value	Percentage Change	Total Incremental Value [1]
2003-04	$144,317,198	N/A	$29,946,201
2004-05	156,116,482	16.02%	41,745,485
2005-06	173,633,630	11.22%	59,262,633
2006-07	191,597,571	10.35%	77,226,574
2007-08	204,919,833	18.02%	90,548,836

Total Percentage Change: 41.99%
Average Percentage Change: 9.16%

[1] Taxable Value above base year value of $114,370,047.
Source: Fraser & Associates.

Distribution of Taxes; Teeter Plan

Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1st lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Agency. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed in the tax increment projection shown herein. The County disburses secured and

utility tax increment revenue to the Agency in three installments during the fiscal year: in February, May and August.

Lake County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (which allows each entity in the County to draw on the amount of secured property taxes levied on its behalf rather than the amount actually collected). Therefore, the Agency's secured property tax revenues reflect total levies, rather than the actual amount collected. The application of the Teeter Plan could be terminated by the County Board of Supervisors and the Board of Supervisors may discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County if the rate of secured tax delinquency for that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in for that agency. In the event that the Teeter Plan or its application to the Agency is terminated, the amount of the levy of tax increment received by the Agency would depend upon the actual collections of the secured taxes within the Project Area. Although unsecured tax increment is not covered by the Teeter Plan, the County allocates unsecured increment to the Agency based on the levy amount.

As discussed in the subsection "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS - Property Tax Rate Limitations - Article XIIIA," the property tax rate applicable within the Project Area is limited by the State Constitution to $1 per $100 of taxable property value plus the rate necessary to service certain indebtedness approved by the voters.

The following table shows the tax levy and receipts in the Project Area, based on application of the Teeter Plan, during fiscal years 2003-04 through 2006-07. For additional information, see the Fiscal Consultant Report in Appendix B.

TABLE 4
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
Historic Tax Levy and Receipts

	Levy per County [1]	Tax Increment [2] Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2006-07	$760,336	$765,322	100.66%	$96,051	$861,372	113.29%
2005-06	582,026	594,809	102.20	141,403	736,212	126.49
2004-05	408,246	410,087	100.45	92,498	502,585	123.11
2003-04	292,290	294,081	100.61	66,769	360,850	123.46
Average Receipts to Levy			**101.05%**			**120.47%**

(1) Initial levy reported by Lake County inclusive of tax sharing payments but reduced by admin. fees.
(2) Receipts per Agency records less reduction for property tax admin. fees. Tax sharing payments are included in tax increment receipts. Does not include interest allocations from County.
Source: Fraser & Associates.

Major Property Owners

The following table lists the ten largest payers of secured property taxes in the Project Area for fiscal year 2007-08. The aggregate secured assessed value of the top ten property taxpayers accounted for approximately 12.97% of the total secured assessed value of the Project Area for 2007-08. The aggregate incremental secured assessed value of the top ten

property taxpayers accounted for approximately 27.87% of the total incremental assessed value of the Project Area for 2007-08.

TABLE 5
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT
Lakeport Redevelopment Project
Ten Largest Taxpayers by Secured Assessed Valuation (1)
Fiscal Year 2007-08

Assessee	Parcels	Type of Use	2007-08 Secured Value	Percent Project Area AV(2)	Percent Incremental AV(2)
Brunos Property Management LLC	1	Commercial	$4,222,583	2.22%	4.77%
Dias Samudra Priya	3	Commercial	3,485,338	1.83%	3.93%
Lake County Tribal Health Consortium Inc.	1	Commercial	3,410,899	1.79%	3.85%
Shoreline Center	6	Commercial	3,201,538	1.68%	3.61%
Jackson Avenue Properties LLC	2	Commercial	2,397,000	1.26%	2.70%
Sloan William H. Jr. & June E. Trustees	1	Commercial	1,855,741	0.97%	2.09%
Kajol Mangu Inc.	1	Commercial	1,837,732	0.97%	2.07%
Butcher Derek R. & Kelly L.	1	Residential	1,560,600	0.82%	1.76%
Bevins	3	Residential/ Commercial	1,377,409	0.72%	1.55%
Fairground Village Mobile Home Park LLC	1	Commercial	1,351,270	0.71%	1.52%
Total Valuation			**$24,700,110**	**12.97%**	**27.87%**

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2007-08 Project Area taxable secured value of $190,383,560 and incremental value of $88,613,734.
Source: Fraser & Associates.

Appeals of Assessed Values

Proposition 8 Appeals. Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals. Because of the way the County allocates Proposition 8 appeals, refunds from appeals that occur outside of the Project Area could negatively affect tax increment received by the Agency, however, this effect has not been significant in the past.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See also "RISK FACTORS – Litigation Regarding 2% Limitation."

Base Year Appeals. A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Current Appeals. According to the Fiscal Consultant Report and based on information provided by the Lake County Assessor's Office, there are currently no open appeals in the Project Area. However, the Assessor's Office is currently reviewing the value of residential property that will appear on the 2008-09 tax roll. The Assessor's Office projects that Countywide-reductions will be in the range of 20% of the current taxable value for properties sold in 2005 and 10% for properties sold in 2006 and 2007. Reductions in the Project Area could differ.

The Fiscal Consultant summarized the potential impact of these Proposition 8 reductions as follows:

	Number	Current Roll Value	Potential Reduced Value	Potential Amount of Reduction
Changes of Ownership after 1/1/2006 (1)	59	$13,665,744	$12,299,170	$1,366,574
Changes of Ownership after 1/1/2005 (2)	64	16,714,863	13,371,890	3,342,973
Total	**123**	**$30,380,607**	**$25,671,060**	**$4,709,547**

(1) Assumes 10% reduction in value.
(2) Assumes 20% reduction in value.
Source: Fraser & Associates.

Assessment appeals filed and granted in future years could adversely impact the availability of Tax Revenues to pay debt service on the 2008 Bonds. See the following paragraphs and "RISK FACTORS" herein.

Limitations on Tax Revenues

Redevelopment Plan Limitations. The Redevelopment Law requires that the Redevelopment Plan contain certain limitations on the redevelopment activities of the Agency and related matters. Limitations that must be contained in the Redevelopment Plan include a limitation on the dollar amount of tax increment revenue that may be received by the Agency over the life of the Redevelopment Plan, and a limitation of total outstanding bonded indebtedness of the Agency. These limits applicable to the Project Area are as follows:

Debt Establishment	6/7/2019
Plan Effectiveness	6/7/2029
Debt Repayment	6/7/2044
Bond Debt Limit	$249 million
Tax Increment Limit	N/A

As part of State legislation related to ERAF (described below), redevelopment agencies are allowed to extend the plan's effectiveness and tax increment receipt dates by one year and the Agency and City plans to make these extensions. For more information on Redevelopment Plan limitations, see "APPENDIX B – Fiscal Consultant Report."

Compliance with Laws. The Agency has covenanted in the Indenture to comply with all requirements of 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.

ERAF Obligations. In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment to school districts ("**ERAF**" shifts).

The fiscal year 2004-05 State Budget included a transfer by redevelopment agencies to the applicable ERAFs of $250 million in each of fiscal years 2004-05 and 2005-06. The Agency's share of the annual shift for fiscal year 2004-05 was $20,460 and the share for fiscal year 2005-06 was $28,412. The Agency paid its ERAF payments for fiscal years 2004-05 and 2005-06 on a timely basis.

There was no ERAF shirt required in fiscal year 2006-07, and the budget for fiscal year 2007-08 does not require an ERAF transfer of tax increment revenues by redevelopment agencies. The Agency cannot predict whether the State Legislature will enact legislation impacting future Tax Revenues. See "RISK FACTORS – State Budget Deficit; ERAF."

SB 211. The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that, at anytime after January 1, 2002, the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. However, such deletion will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective. Since the Redevelopment Plan was adopted after January 1, 1994, it is not eligible for the SB211 extension of the time limit.

Tax Sharing Agreements

Pursuant to the Redevelopment Law, some redevelopment agencies are allowed enter into tax sharing agreements with overlapping public agencies to provide for the sharing of tax increment within the Project Area. Under certain agreements, the obligations under the tax sharing agreement have a priority interest in tax increment over the agency's obligations to use tax increment to pay bonds. The Agency is not allowed to enter into tax sharing agreements because of statutory restrictions based upon the date of formation of the Agency.

Agency Bonded Indebtedness

Other than the 2004 Bonds, the Agency currently has no outstanding bonded indebtedness. See "DEBT SERVICE SCHEDULES" herein for the future debt service requirements on the 2004 Bonds, and see Appendix A hereto for financial information relating to the Agency.

Overlapping Debt and Debt Ratios

The following table summarizes direct and overlapping bonded debt within the Project Area as of March 1, 2007. There can be no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to the source of the information, California Municipal Statistics, Inc.

TABLE 6
REDEVELOPMENT AGENCY OF THE
CITY OF LAKEPORT, CALIFORNIA
Lakeport Redevelopment Project
Direct and Overlapping Bonded Debt

2007-08 Assessed Valuation:	$204,919,833
Base Year Valuation:	114,370,997
Incremental Valuation:	$ 90,548,836

DIRECT DEBT:	% Applicable	Debt 4/1/08	
2004 Tax Allocation Bonds, Series A & B	100. %	$2,120,000	(1)
TOTAL DIRECT DEBT		$2,120,000	
Ratio to Incremental Valuation: 2.34%			
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Mendocino-Lake Community College District	2.311%	$ 675,159	
Lakeport Unified School District	18.277	1,150,719	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$1,825,878	
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT		$3,945,878	(2)

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

Ratios to 2007-08 Assessed Valuation:
Combined Total Direct and Overlapping Debt..... 1.93%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

Source: California Municipal Statistics, Inc.

Projected Tax Revenues

Table 7 sets forth estimated Tax Revenues for Fiscal Year 2007-08.

TABLE 7
REDEVELOPMENT AGENCY OF THE
CITY OF LAKEPORT, CALIFORNIA
Lakeport Redevelopment Project
Estimate of Tax Revenues for Fiscal Year 2007-08

	Taxable Value [1]
Local Secured	
Land	$66,780,279
Improvements	130,019,207
Personal Property	2,304,717
Gross Local Secured	199,104,203
Exempt	8,720,643
Net Local Secured	190,383,560
Unsecured	
Land	2,307,594
Improvements	5,565,451
Personal Property	7,398,488
Total Unsecured	15,271,533
Exempt	(735,260)
Net Unsecured	14,536,273
Total Value	**204,919,833**
Base Year Taxable Value	(114,370,997)
Incremental Taxable Value	90,548,836
Tax Increment	905,488
Adjustments to Tax Increment Revenue:	
Property Tax Administration Fees [2]	13,988
Adjusted Tax Increment Revenues	**891,500**
Liens on Tax Increment	
Housing Set-Aside [3]	181,098
AB 1290 Tax Sharing Payments [4]	181,098
Tax Revenues	**$529,305**

(1) Based on taxable values from Lake County.
(2) Estimated based on 2.40% of Tax Increment.
(3) Based on 20 percent of total tax increment revenue.
(4) Tax sharing payments per the provisions of AB 1290.
Source: Fraser & Associates.

PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

The table below sets forth the projected Tax Revenues for the Project Area, along with a table showing the projected debt service on the 2008 Bonds and the estimated debt service coverage provided by the projected Tax Revenues. Although the Indenture considers the 2004A Bonds, 2004B Bonds and 2008 Bonds to be secured by Tax Revenues on a parity basis, the 2004A Bonds and 2008 Bonds are actually payable only from the non-Housing Set-Aside portion of Tax Revenues and the 2004B Bonds are payable only from the Housing Set-Aside portion of Tax Revenues. Consequently, the following table (i) removes the Housing Set-Aside portion of Tax Revenues prior to payment of debt service on the 2004A Bonds and 2008 Bonds and (ii) does not include debt service on the 2004B Bonds.

In projecting Tax Revenues, the Agency assumed the following:

(1) The tax rate is 1%.
(2) A projected real property valuation increase of 2% per year after Fiscal Year 2007-08 for growth from other than as a result of certain development in the Project Area (see "THE AGENCY AND THE PROJECT AREA – The Project Area – New Development." However, no adjustments were made for possible County residential reductions due to appeals. *No assurance can be given that actual growth will achieve the 2% projection.*
(3) Personal property and non-unitary utility values will remain constant at Fiscal Year 2007-08 values.
(4) The 2008 Bonds will mature on June 1, 2038.
(5) The County administrative fee is equal to 1.54% of gross tax increment and will be paid from tax increment allocated to the Agency prior to payment of debt service.
(6) The Agency will not be obligated to make ERAF payments in the future. See "RISK FACTORS – State Budget Deficit and ERAF Shift".
(7) There will be no successful appeals of assessed valuation in the Project Area.
(8) Statutory pass-through payments to taxing entities are made prior to debt service payments on the 2004A and 2008 Bonds.

TABLE 8
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT, CALIFORNIA
Lakeport Redevelopment Project
Projected Tax Revenues
Dollars in Thousands

Fiscal Year	Real Property (1)	Other Property (2)	Total Value	Value over Base of $114,371	Tax Increment (3)	Property Tax Admim Fees (4)	Housing Set-Aside	AB 1290 Tax Sharing (5)	Tax Revenues
2008	$195,217	$9,703	$204,920	$90,549	$905	$14	$181	$181	$529
2009	199,121	9,703	208,824	94,453	945	15	189	189	552
2010	207,096	9,703	216,800	102,429	1,024	16	205	205	599
2011	211,239	9,703	220,942	106,571	1,066	16	213	213	623
2012	215,464	9,703	225,167	110,796	1,108	17	222	222	648
2013	219,773	9,703	229,476	115,105	1,151	18	230	237	666
2014	224,168	9,703	233,872	119,501	1,195	18	239	254	684
2015	228,652	9,703	238,355	123,984	1,240	19	248	270	703
2016	233,225	9,703	242,928	128,557	1,286	20	257	287	722
2017	237,889	9,703	247,592	133,221	1,332	21	266	304	741
2018	242,647	9,703	252,350	137,979	1,380	21	276	322	761
2019	247,500	9,703	257,203	142,832	1,428	22	286	339	781
2020	252,450	9,703	262,153	147,782	1,478	23	296	358	802
2021	257,499	9,703	267,202	152,831	1,528	24	306	376	823
2022	262,649	9,703	272,352	157,981	1,580	24	316	395	844
2023	267,902	9,703	277,605	163,234	1,632	25	326	415	866
2024	273,260	9,703	282,963	168,592	1,686	26	337	434	888
2025	278,725	9,703	288,428	174,057	1,741	27	348	454	911
2026	284,300	9,703	294,003	179,632	1,796	28	359	475	934
2027	289,986	9,703	299,689	185,318	1,853	29	371	496	958
2028	295,785	9,703	305,489	191,118	1,911	30	382	517	982
2029	301,701	9,703	311,404	197,033	1,970	30	394	539	1,007
2030	307,735	9,703	317,438	203,067	2,031	31	406	561	1,032
2031	313,890	9,703	323,593	209,222	2,092	32	418	584	1,058
2032	320,168	9,703	329,871	215,500	2,155	33	431	607	1,084
2033	326,571	9,703	336,274	221,903	2,219	34	444	638	1,103
2034	333,102	9,703	342,806	228,435	2,284	35	457	676	1,116
2035	339,764	9,703	349,468	235,097	2,351	36	470	708	1,136
2036	346,560	9,703	356,263	241,892	2,419	37	484	741	1,157
2037	353,491	9,703	363,194	248,823	2,488	38	498	774	1,178
2038	360,561	9,703	370,264	255,893	2,559	40	512	808	1,200

(1) Prior Year Real Property increased by 2% per year; in fiscal year 2009-10 $3,993,000 for new development is included.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of Project Area tax rates to incremental taxable value.
(4) Per SB 2557, reflects Project Area share of the County's property tax administrative costs.
(5) Payments required per AB 1290.
Source: Fraser Associates.

The following table shows estimated debt service coverage, based on 2007-08 figures being held constant over the term of the 2008 Bonds.

TABLE 9
REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT, CALIFORNIA
Lakeport Redevelopment Project
Projected Debt Service Coverage

Fiscal Year	Net Tax Revenues[1]	2004A Debt Service	2004B Debt Service	2008 Debt Service	Total Parity Obligations	Coverage Ratio
2008	$529,305	$61,558	$111,707	$45,754	$219,019	2.42:1
2009	529,305	61,308	109,133	181,378	351,819	1.50:1
2010	529,305	61,033	111,559	176,003	348,595	1.52:1
2011	529,305	60,723	113,270	175,728	349,721	1.51:1
2012	529,305	60,403	109,728	180,428	350,559	1.51:1
2013	529,305	60,063	111,186	179,948	351,197	1.51:1
2014	529,305	59,638	112,391	179,438	351,467	1.51:1
2015	529,305	59,268	113,343	178,905	351,516	1.51:1
2016	529,305	63,878	108,787	178,350	351,015	1.51:1
2017	529,305	58,263	109,231	182,773	350,267	1.51:1
2018	529,305	62,843	109,407	176,973	349,223	1.52:1
2019	529,305	62,198	109,315	181,358	352,871	1.50:1
2020	529,305	91,538	13,955	245,518	351,011	1.51:1
2021	529,305	94,288	13,390	241,863	349,541	1.51:1
2022	529,305	91,988	12,825	248,123	352,936	1.50:1
2023	529,305	94,688	12,260	243,848	350,796	1.51:1
2024	529,305	91,869	11,695	249,478	353,042	1.50:1
2025	529,305	94,050	11,130	244,543	349,723	1.51:1
2026	529,305	75,975	10,565	264,555	351,095	1.51:1
2027	529,305	78,613	-	273,315	351,928	1.50:1
2028	529,305	75,988	-	276,283	352,271	1.50:1
2029	529,305	78,363	-	273,688	352,051	1.50:1
2030	529,305	75,475	-	275,688	351,163	1.51:1
2031	529,305	77,588	-	272,188	349,776	1.51:1
2032	529,305	79,438	-	273,438	352,876	1.50:1
2033	529,305	76,025	-	274,188	350,213	1.51:1
2034	529,305	77,613	-	274,438	352,051	1.50:1
2035	529,305	78,938	-	274,085	353,023	1.50:1
2036	529,305	-	-	348,228	348,228	1.52:1
2037	529,305	-	-	353,078	353,078	1.50:1
2038	529,305	-	-	351,918	351,918	1.50:1

(1) For purposes of the projection, Fiscal Year 2007-08 Net Revenues are held constant over the term of the 2008 Bonds.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2008 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2008 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Reduction in Taxable Value

To estimate the revenues available to pay debt service on the 2008 Bonds, the Fiscal Consultant has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the 2008 Bonds will, in all likelihood, be less than those projected.

Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Earthquakes and Other Calamities" below) or other natural or man made disaster, could cause a reduction in the Tax Revenues securing the 2008 Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Such a reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2008 Bonds. See "THE AGENCY AND THE PROJECT AREA - Appeals of Assessed Values."

The County's current policy is to allocate 100% of the Project Area's tax increment revenues to the Agency with no offset for taxpayer delinquencies. However, the County could change this policy in the future and begin making deductions for delinquencies. In that event, substantial delinquencies in the payment of property taxes could impair the timely receipt by the Agency of Tax Revenues. Tax increment remitted to the Agency is adjusted for taxable value adjustments, refunds due to successful assessment appeals and tax roll corrections.

Reduction in Inflationary Rate

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. **For fiscal year 2007-08, the County Assessor applied the maximum inflationary factor as determined under Article XIIIA of 2%.** The Agency is unable to predict if any

adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the 2008 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.

Parity Debt

As described in "SECURITY FOR THE 2008 BONDS – Parity Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the 2008 Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the 2008 Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the 2008 Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2008 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Factors Relating to Sub-Prime Loans

Since the end of 2002, many homeowners have financed the purchase of their new homes using loans with little or no down-payment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Many of these loans (often referred to as "sub-prime loans") allow the borrower to pay only interest for an initial period, which may extend in some loans up to 10 years. In the opinion of some economists, the significant increase in home "affordability" from the end of 2002 through a portion of 2006, while home prices increased significantly in most California real estate markets, was caused, in part, by the ability of home purchasers to access loans with little or no down-payment. Homeowners who purchased their homes with sub-prime loans have begun to experience difficulty in making their loan payments due to automatic rate increases on their adjustable loans, rising interest rates in the market, and the inability to refinance due to decreasing residential market values.

Increased delinquency rates could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 2008 Bonds. Moreover, if mortgage loan defaults continue to increase, bankruptcy filings by homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent property taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent property taxes. In addition, foreclosures can affect taxable values and tax revenues for the Project Areas directly and indirectly. If the assessed value of the property is higher than the market value of the property when the bank takes over ownership, the Assessor's office will reduce the assessed value of the property accordingly. The assessed value will potentially be adjusted again when the property is sold by the bank to an individual homeowner. When the number of foreclosures in an area is significant, they can also have a negative impact on market values as such properties tend to be priced low for quick sales.

Finally, as a result of increasing defaults on "sub-prime loans" in recent months, investor demand for loans on the secondary market, particularly those that are not insured by Fannie Mae or Freddie Mac, has declined. This decreased investor demand for loans, particularly jumbo loans, has caused the interest rate on loans to increase. In some cases, lenders have stopped making jumbo loans altogether. Unavailability of loans for the purchase of real property in the Project Areas may adversely impact the assessed value of property in the Project Areas and, as a result, adversely impact Tax Revenues available to pay debt service on the 2008 Bonds.

State Budget Deficit; ERAF

The State of California faces significant budget issues for fiscal year 2007-08 and possibly beyond. In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment to school districts ("ERAF" shifts).

The State budget for fiscal year 2007-08 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.

Earthquakes and Other Calamities

Earthquake faults exist in many parts of Southern California, including in areas near to the Project Area. Most new construction is required to be built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events however, the occurrence of severe seismic activity affecting the Project Area could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues or Housing Set-Aside Revenues that secure the 2008 Bonds. Reductions in assessed values could also occur from other natural, environmental or outside force events or occurrences, including fires, flooding, forms of pollution, acts of terrorism or other disasters.

Hazardous Substances

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

Secondary Market

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

On May 21, 2007, the U.S. Supreme Court agreed to review Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet, 197 S.W.3d 557 (2006), a decision holding that State statutes providing more favorable State income tax treatment to holders of debt issued by in-state government bodies than for debt issued by out-of-state government bodies violate the U.S. Constitution. If the decision is upheld, the marketability and market price for the 2008 Bonds may be affected.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the 2008 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2008 Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the 2008 Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations - Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

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

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

Challenges to Article XIIIA

There have been many challenges to Article XIIIA of the California Constitution. Probably the most significant judicial decision with respect to Article XIIIA is the United States Supreme Court holding in *Nordlinger v. Hahn,* a challenge relating to residential property. Based upon the facts presented in *Nordlinger,* the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured". Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax

which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

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

With respect to delinquencies in payment of secured property taxes in the Project Area, the County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (which allows each entity in the County to draw on the amount of secured property taxes levied on its behalf rather than the amount actually collected). The Agency participates in the Teeter Plan. As a result, the Agency's secured property tax revenues reflect total levies, rather than the actual amount collected (supplemental taxes and unitary revenue are not allocated under the Teeter Plan). The County also allocates unsecured tax to the Agency based on total levies. Tax increment remitted to the Agency is adjusted for taxable value adjustments, refunds due to successful assessment appeals and tax roll corrections.

Penalties. 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 on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

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

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. The statute may provide increased revenue to redevelopment agencies to the extent that supplemental

assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues or Housing Set-Aside Revenues may increase.

Tax Collection Fees. SB 2557 (Chapter 466, Statutes of 1990) authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. For 2006-07, the amount of such cost for the Project Area was approximately 1.54% of 2006-07 total tax increment revenue. Such costs are deducted prior to a determination of Tax Revenues which are pledged to repay the 2008 Bonds.

Unitary Property

Commencing with the fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and railroad property, herein defined as "**Unitary Property**") is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. The lien date on State-assessed property is January 1. However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with the 2007-08 fiscal year required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that project areas no longer share in the distribution of unitary railroad revenues. Because of this the Auditor-Controller has removed the corresponding valuations from the Agency's base year.

Proposition 218

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the 2008 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 218 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Other Legislation Affecting Redevelopment Agencies

Assembly Bill 1290. In 1993, the California Legislature enacted Assembly Bill 1290 ("**AB 1290**") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 is a provision which limits the period of time for incurring and

repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

Senate Bill 211. The California Legislature enacted Senate Bill 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body.

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

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan. The Agency has not amended its Redevelopment Plan pursuant to SB 211.

Senate Bill 1045. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("**SB 1045**"). SB 1045 provides, among other things, that for the purpose of calculating a redevelopment agency's tax increment limit, ERAF payments may be deducted from the amount of property tax dollars deemed to have been received by the redevelopment agency. SB 1045 also permits the Redevelopment Plan to be amended to add one year on to the duration of the Redevelopment Plan effectiveness and on to the period for collection of tax increment revenues and the repayment of debt. The Agency has not amended its Redevelopment Plan under SB 1045.

Senate Bill 1096. The Legislature has also adopted Senate Bill 1096, Chapter 211, Statutes of 2004 ("**SB 1096**"), authorizing extension of the effectiveness of redevelopment plans for an additional two years for those redevelopment plans with 20 years or less remaining. SB 1096 does not apply to the Redevelopment Plan.

Senate Bill 1206. The Legislature has adopted Senate Bill 1206, Chapter 595, Statutes of 2006 ("**SB 1206**") which became effective January 1, 2007. SB 1206 includes significant revisions to the Redevelopment Law, including revisions to the redevelopment plan adoption and amendment procedures. In particular, SB 1206 requires that agencies amending redevelopment plans file reports with the Department of Finance ("**DOF**") and the Department of Housing and Community Development ("**HCD**"). Such reports must include information justifying the amendment similar to the information typically included in a preliminary report on a new redevelopment plan. DOF and HCD may comment on the reports, and such comments must be considered by the agency and legislative body at the public hearing for the plan

amendment. Additionally, SB 1206 increases the time period for circulation of referendum petitions relating to redevelopment plans or amendments and extends the statute of limitations for challenging redevelopment plans or amendments.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Chapter 1135, Statutes of 1985, added Section 33334.6 to the Redevelopment Law extending the requirement to redevelopment project areas adopted prior to December 31, 1976. Amounts on deposit in the low- and moderate-income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

The Project Area is subject to the 20% set-aside requirement for low- and moderate-income housing. Amounts segregated by the Agency pursuant to this requirement (i.e., the Housing Set-Aside) are not available to pay debt service on the 2008 Bonds. See "SECURITY FOR THE 2008 BONDS – Housing Set-Aside".

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and beneficial owners of the 2008 Bonds to provide certain financial information and operating data relating to the Agency by not later than nine (9) months following the end of the Agency's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the Agency's fiscal year), commencing March 31, 2009, with the report for the Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Agency reports that in connection with preparation of this bond issue it realized it had been delegated the responsibility to file annual reports for the 2004 Bonds and it did not do so for fiscal years 2005, 2006 and 2007. The Agency is recently filed those reports on a late basis and will implement internal procedures to timely file reports in the future.

NO LITIGATION

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the 2008 Bonds, to contest the validity of the 2008 Bonds, the Indenture or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the ability to pay principal of and interest on the 2008 Bonds when due.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2008 Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the 2008 Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "**Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the 2008 Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2008 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2008 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2008 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2008 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. Deminimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2008 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2008 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2008 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2008 Bonds who purchase the 2008 Bonds after the initial offering

of a substantial amount of such maturity. Owners of such 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2008 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2008 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2008 Bond (said term being the shorter of the 2008 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2008 Bond is amortized each year over the term to maturity of the 2008 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2008 Bonds.

In the further opinion of Bond Counsel, interest on the 2008 Bonds is exempt from California personal income taxes.

Owners of the 2008 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2008 Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

The legal opinion of Bond Counsel, approving the validity of the 2008 Bonds, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the 2008 Bonds, and a copy thereof will be printed on or will accompany each 2008 Bond. Bond Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the Agency regarding the contents of this Official Statement. Certain matters will be passed upon for the Agency by the City Attorney, as Agency Counsel.

RATING

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") has assigned the 2008 Bonds the rating of "A-". Such rating expresses only the view of the rating agency and is not a recommendation to buy, sell or hold the 2008 Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2008 Bonds.

UNDERWRITING

The 2008 Bonds will be sold to the Authority for concurrent resale to Edward D. Jones & Co., L.P., as Underwriter (the "**Underwriter**") under a bond purchase agreement among the Authority, the Agency and the Underwriter (the "**Purchase Contract**"), pursuant to which the Underwriter will agree to purchase all of the 2008 Bonds for an aggregate purchase price of $3,356,671.25 (being an amount equal to the principal amount of the 2008 Bonds ($3,425,000.00) and less an underwriters' discount of $68,328.75). The Underwriter is committed to purchase all of the 2008 Bonds if any are purchased.

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

FINANCIAL ADVISOR

The City has retained Northcross Hill & Ach, Inc., of San Rafael, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2008 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Northcross Hill & Ach, Inc. is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

All summaries of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the 2008 Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT

By: /s/ Gillham
Executive Director

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

REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT

By: /s/ Jerry Gillham
Executive Director

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APPENDIX A

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

THE LAKEPORT REDEVELOPMENT AGENCY
California

A Component Unit of
The City of Lakeport

Annual Financial Report

Year Ended
June 30, 2007

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NICHOLSON
& OLSON

CERTIFIED PUBLIC ACCOUNTANTS

729 Sunrise Avenue, Suite 303

Roseville, California 95661

(916) 786-7997

INDEPENDENT AUDITOR'S REPORT

Members of the Lakeport Redevelopment Agency
City of Lakeport, California

We have audited the accompanying basic financial statements of the governmental activities of the Lakeport Redevelopment Agency (the "Agency"), a component unit of the City of Lakeport, California, as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Local Government Fiscal Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Agency has not presented management's discussion and analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Lakeport Redevelopment Agency, as of June 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Lakeport Redevelopment Agency
City of Lakeport, California

The management's discussion and analysis, and budgetary comparison information, as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nicholson & Olson

Certified Public Accountants
Roseville, California
December 28, 2007

FINANCIAL STATEMENTS

THE LAKEPORT REDEVELOPMENT AGENCY

GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
ASSETS	
Cash and investments	$ 2,764,984
Receivables:	
Notes	144,200
Bond issue costs	158,931
Total Assets	3,068,115
LIABILITIES	
Accounts payable	16,785
Deferred revenue	144,200
Long-term liabilities:	
Due within one year	35,000
Due in more than one year	2,120,000
Total Liabilities	2,315,985
NET ASSETS	
Unrestricted	752,130
Total Net Assets	$ 752,130

See accompanying notes to financial statements

THE LAKEPORT REDEVELOPMENT AGENCY

GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
JUNE 30, 2007

Functions/Programs	Operating Expenses	Program Revenues	Net (Expense) Revenue
Community Development	$ 529,876	$ 8,688	$ (521,188)
Interest expense	121,071	-	(121,071)
Total Governmental Activities	$ 650,947	$ 8,688	$ (642,259)
General Revenues:			
Property tax revenues			871,613
Investment earnings			35,362
Total General Revenues			906,975
Change in Net Assets			264,716
Net Assets, beginning of year			487,414
Net Assets, end of year			$ 752,130

See accompanying notes to financial statements

THE LAKEPORT REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	Capital Projects	Special Revenue	Debt Service	Total Governmental Funds
Assets				
Cash and investments	$ 1,088,882	$ 483,235	$ 1,192,867	$ 2,764,984
Receivables:				
Notes	-	144,200	-	144,200
Total Assets	$ 1,088,882	$ 627,435	$ 1,192,867	$ 2,909,184
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 16,785	$ -	$ -	$ 16,785
Deferred revenue	-	144,200	-	144,200
Total Liabilities	16,785	144,200	-	160,985
Fund Balances				
Unreserved:				
Designated	-	-	1,192,867	1,192,867
Undesignated	1,072,097	483,235	-	1,555,332
Total Fund Balances	1,072,097	483,235	1,192,867	2,748,199
Total Liabilities and Fund Balances	$ 1,088,882	$ 627,435	$ 1,192,867	$ 2,909,184

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities:

Total Governmental Funds Balances	$ 2,748,199
Adjustments for the Statement of Net Assets:	
Bond issue costs are not financial resources and are not reported in the funds.	158,931
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,155,000)
Net Assets of Governmental Activities	$ 752,130

See accompanying notes to financial statements

THE LAKEPORT REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Capital Projects	Special Revenue	Debt Service	Total Governmental Funds
Revenues				
Property tax increment	$ 692,784	$ 178,829	$ -	$ 871,613
Investment earnings	26,597	8,765	-	35,362
Other income	2,957	5,731	-	8,688
Total Revenues	722,338	193,325	-	915,663
Expenditures				
Administration and planning	225,532	89,000	4,009	318,541
Pass through payments	178,828	-	-	178,828
Capital costs	32,507	-	-	32,507
Debt Service:				
Principal	-	-	30,000	30,000
Interest	-	-	115,395	115,395
Total Expenditures	436,867	89,000	149,404	675,271
Excess of Revenues Over (Under) Expenditures	285,471	104,325	(149,404)	240,392
Other Financing Sources (Uses)				
Transfers in	-	-	145,395	145,395
Transfers (out)	(145,395)	-	-	(145,395)
Total Other Sources (Uses)	(145,395)	-	145,395	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	140,076	104,325	(4,009)	240,392
Fund Balances (deficit), Beginning of Year	932,021	378,910	1,196,876	2,507,807
Fund Balances (deficit), End of Year	$ 1,072,097	$ 483,235	$ 1,192,867	$ 2,748,199

Reconciliation of the Governmental Statement of Revenues and Expenditures to the Statement of Activities:

Total Governmental Funds Excess of Revenues over Expenditures	$ 240,392
Adjustments for the Statement of Activities:	
Governmental funds report bond issue costs as expenditures while governmental activities report those expenditures as assets.	(5,676)
Governmental funds report bond issues as revenue while governmental activities report that source as long-term liabilities.	30,000
Change in Net Assets of the Governmental Activities	$ 264,716

See accompanying notes to financial statements

THE LAKEPORT REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2007

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Agency as follows:

Note 1 - Defining the Financial Reporting Entity

Note 2 - Summary of Significant Accounting Policies

Note 3 - Stewardship, Compliance and Accountability

Note 4 - Cash and Investments

Note 5 - Long-term Obligations

Note 1 - Defining the Financial Reporting Entity

The Lakeport Redevelopment Agency of the City of Lakeport, California (the "Agency"), is a separate legal entity subject to oversight by the City of Lakeport (the "Council"). As the primary governing unit of the Agency, the Council exercises significant financial and management control over the Agency. Therefore, the Agency is also a component unit of the City of Lakeport (the "City"). In addition to presenting these financial statements of the Agency, the financial data of this component unit has also been combined with the City's annual financial report for the fiscal year ended June 30, 2007.

The Agency was established January 1, 1986, under the provisions of the California Community Redevelopment Law (Health and Safety Code, Section 33000, et seq.) primarily to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the City of Lakeport (City).

The Agency is authorized to finance the Plan with financial assistance from the City of Lakeport, County of Lake, State of California, United States Government, private developers, or any other public or private source including property tax increments, interest income, and Agency notes and bonds or other indebtedness.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Basis of Presentation

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB Statement No. 34 is effective in three phases based on the public institution's total annual revenues in the fiscal year ending after June 15, 1999. The Agency adopted the provisions of this statement along with GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus (an amendment to GASB Statements No. 21 and No. 34), as of July 1, 2003. In June 2001, GASB issued Statement No. 38, Certain Financial Statement Note Disclosures, to revaluate certain existing disclosure requirements in the context of reporting model statement No. 34. The Agency adopted the provisions of Statement No. 38 as of July 1, 2003.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The Financial Statement presentation, required by GASB 34, 37, and No. 38 provides a comprehensive, entity-wide perspective of the Agency's assets, liabilities, and replaces the fund-group perspective previously required. The Agency now follows the "primary government's governmental activities" reporting requirements of GASB No. 34 that provides a comprehensive one-line look at the Authority's financial activities.

B. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures.

Governmental Funds

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. Within the Agency, this fund is used to account for financial resources to be used for financing development and rehabilitation of low and moderate income housing units (LMI set-aside).

Capital Project Funds - Capital Project Funds account for the financial resources used for the acquisition and/or construction of major capital facilities, as well as being the general operating fund of the Agency. They are used to account for all financial resources except those required to be accounted for in the Special Revenue Fund.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

All Governmental Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance the expenditures of the current period (susceptible to accrual). Expenditures are recorded in the accounting period in which the related liability is incurred.

All Governmental Funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

D. Budgetary Accounting

The Lakeport City Council, in its capacity as members of the Board, adopts a budget for the Agency annually, effective each July 1, for all Agency funds. The Board may amend the budget by resolution during the fiscal year. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Encumbrance accounting is not employed by the Agency and all appropriations lapse at year end.

E. Interfund Payables

Interfund payables are reported as liabilities in both the government-wide and fund financial statements.

F. Net Assets

In the government-wide financial statements, net assets are classified as either restricted or unrestricted:

- Restricted net assets - Restricted net assets include resources that the Agency is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, such as property tax increment.

Note 2 - Summary of Significant Accounting Policies (concluded)

F. Net Assets (continued)

- Unrestricted net assets - Unrestricted net assets represent resources derived from sources such as tax revenue and interest earnings. These resources are used for transactions relating the general operations of the Agency, and may be used at the discretion of the governing board to meet current expenses for any purpose.

G. Tax Increment

The Agency does not have the authority to levy tax, but receives tax increment directly from Lake County. Tax increment is the additional property tax created in a project area, which exceeds the base year (year of Plan adoption) value because of improvements and reassessments. Property tax revenue is recognized when measurable and collectible.

H. Interfund Transactions

"Operating Transfers-In" and "Operating Transfers-Out" on the Statement of Revenues and Expenditures are restricted to transfers within the funds and/or projects of the agency. "Transfers to" or "transfers from" the legislative body of the agency are reported as appropriate revenue or expenditure line items.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 - Stewardship, Compliance and Accountability

Management is not aware of any material violations of finance-related legal or contractual provisions in any of the funds of the Agency.

Note 4 - Cash and Investments

A. Authorized Investments

Under the provisions of the Agency's investment policy, the Agency may invest or deposit in the following types of investments:

- Local Agency Investment Fund (State Pool) Deposits
- Certificates of Deposits placed with commercial banks and/or Savings and Loan associations
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Securities of the U. S. Government or its Agencies
- Commercial Paper

B. Pooled Deposits

The Agency's cash accounts are included in a cash pool maintained by the City of Lakeport that is used by all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and note agreements, and for funds in its deferred compensation plan. At June 30, 2007, the City had the following accounts in the pool:

- Bank checking accounts collateralized with securities equal to at lease 110% of the deposit balance and held by the bank's agent in the bank's name. Interest is deposited into the account monthly.
- State of California Local Agency Investment Fund ("LAIF"). Interest is deposited into the LAIF account quarterly.

Interest income earned on pooled cash and investments is allocated to the various funds based on the average cash balances held by each fund during the year.

During the year ended June 30, 2007 the Agency held no investments which are required to be categorized by risk.

Note 5 - Long-term Obligations

2004 Series A Bonds
2004 Series A, total issue $1,070,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.25%, due September 1 and March 1 each year, secured by Redevelopment property tax revenues, maturing in 2035.

Balance due	$ 1,035,000

2004 Series B Bonds
2004 Series B, total issue $1,170,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.31%, due September 1 and March 1 each year, secured by Redevelopment property tax revenues, maturing in 2035.

Balance due	$ 1,120,000

Changes in Long-term Obligations comprise the following:

	June 30, 2007	Increases	Decreases	June 30, 2008	Due within One Year
Governmental Activities					
Bonds payable	$ 2,185,000	$ -	$ 30,000	$ 2,155,000	$ 35,000

Various bond indentures contain limitations and restrictions with which, in the opinion of management, the City is in compliance.

Future principal and interest debt service requirements on long-term debt outstanding at June 20, 2007 are as follows:

Year Ending June 30,	2004 Bonds
2008	$ 149,108
2009	147,606
2010	146,105
2011	149,603
2012	147,579
2013-2017	735,614
2018-2022	737,345
2023-2027	738,709
2028-2032	746,814
2033-2036	590,088
Subtotal	4,288,571
Less interest	(2,133,571)
Principal	$ 2,155,000

Note 5 - Long-term Obligations (continued)

Deferred Debt Issuance Costs
Bond issuance costs in the amount of $170,283 are capitalized and amortized over the terms of the bonds using a method that approximates the effective interest method. The balance at June 30, 2007 was $158,931.

REQUIRED SUPPLEMENTARY INFORMATION

THE LAKEPORT REDEVELOPMENT AGENCY

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Capital Projects Redevelopment Agency Fund		
	Original Budget	Final Budget	Actual
Revenue			
Property tax increment	$ -	$ -	$ 692,784
Investment earnings	-	-	26,597
Other income	-	-	2,957
Total Revenue	-	-	722,338
Expenditures			
Administration and planning	268,096	268,096	225,532
Pass through payments	255,000	255,000	178,828
Capital costs	1,524,110	1,524,110	32,507
Debt Service:			
Interest	146,085	146,085	-
Total Expenditures	2,193,291	2,193,291	436,867
Excess of Revenue over Expenditures	(2,193,291)	(2,193,291)	285,471
Other Financing Sources (Uses)			
Transfers (out)	-	-	(145,395)
Total Other Sources (Uses)	-	-	(145,395)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (2,193,291)	$ (2,193,291)	$ 140,076

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES

Members of the Lakeport Redevelopment Agency
Lakeport, California

We have audited the component unit basic financial statements of the Lakeport Redevelopment Agency ("the Agency") as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with provisions of laws and regulations contained in *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting.

The results of our tests indicated that, with respect to the items tested, the Agency complied, in all material respects, with the provisions referred to in the second paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those provisions.

This report is intended for the information of the Agency and the State Controller's Office and is not intended to be and should not be used by persons other than these specified people.

Nicholson & Olson

Certified Public Accountants
Roseville, California
December 28, 2007

APPENDIX B

FISCAL CONSULTANT REPORT

FA FRASER & ASSOCIATES

Redevelopment and Financial Consulting

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

FISCAL CONSULTANT REPORT

Redevelopment Agency of the City of Lakeport

Lakeport Redevelopment Project Area

April 2008

Section A - Introduction

The Redevelopment Agency of the City of Lakeport (Agency) is considering the issuance of its 2008 Tax Allocation Bonds (2008 Bonds). The Agency intends to pledge a portion of the tax increment revenues (Tax Revenues) generated from the Lakeport Redevelopment Project Area (Project Area) to repayment of the Bonds. The 2008 Bonds will have a parity lien on the non housing set-aside portion of the Tax Revenues of the Project Area with the Agency's 2004 Series A Bonds (together 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 Merced 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 Assessees in the Project Area and the historical trends in values and revenues.
D. **Assessment Appeals / Proposition 8 Adjustments**: The findings from a review of the records of, and discussions with, the Lake County Assessors Office 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 senior 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 Lake County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. We are not aware of any significant changes to the County's allocation practices. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

Section B - General Information

The Project Area

The Project Area was adopted on June 7, 1999 by Ordinance No. 799 (99). There have been no amendments made to the Redevelopment Plan. The table below shows the current financial and time limits for the Lakeport Redevelopment Plan and Project Area:

Type of Limit	Date
Debt Establishment	6/7/2019
Plan Effectiveness	6/7/2029
Debt Repayment	6/7/2044
Bond Debt Limit	$249 million

The Project Area includes approximately 612 acres of land including commercial, industrial and residential uses. Shown below is a land use breakdown of the Project Area as of the 2007-08 fiscal year by parcel and taxable value.

LAND USE CATEGORY SUMMARY 2007-08

	Parcels	Taxable Value	Percent of Total
Residential	881	$117,377,510	61.65%
Commercial	227	71,783,037	37.70%
Industrial	10	1,223,013	0.64%
Other	17	0	0.00%
Total Secured	1,135	190,383,560	100.00%

Property Tax Allocation Procedures

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

Lake County calculates tax increment to the Project Area by applying the current year tax rate to secured and unsecured incremental taxable values. Tax increment generated from the tax roll is allocated based on 100 percent of the County calculated levy. This 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 not adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues, to the extent applicable.

Section C – Taxable Values and Historical Revenues

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. Such property is annually appraised 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 typically 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 for the Project Area over the past five years. Taxable values have increased from $144.3 million in 2003-04 to $204.9 million in 2007-08. The total percentage change was 42 percent over the five-year period. The average annual percentage change was 9.16 percent. Growth in assessed values for 2007-08 was especially strong at over 18 percent.

Secured taxable values have increased by $58.8 million since 2003-04. This was, in large part, due to changes of ownership. 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 2003 and 2007. The review showed approximately 257 changes of ownership that, as aggregated, increased secured values by approximately $37.5 million since 2003-04. This included both residential and commercial changes of ownership. Section D includes a discussion of possible future reductions to taxable values based on recent residential sales.

The balance of growth can be attributable to new development activity, the allowable 2 percent inflation adjustment and other smaller investments.

A parcel verification was not performed as part of our analysis of taxable values. We have assumed that the reported taxable values from the County are correct.

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 2 as of the 2007-08 fiscal year. The taxable value for the Top Ten Assessees represents 12.97 percent of the total secured value of the Project Area and 27.87 percent of the secured incremental value of the Project Area.

Historical Tax Increment Revenues

Table 3 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. Both the levy and receipts amounts have been reduced for property tax administrative fees but not for tax sharing payments to the taxing entities. Actual receipts of tax increment for the period 2003-04 through 2006-07 has averaged approximately 101.05 percent of the levy.

Supplemental property tax receipts are also shown on Table 3. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. When supplemental revenues are included, receipts have averaged 120.47 percent of the levy over the period that was reviewed.

The Agency receives tax increment in three installments. The first payment is typically received in January of each fiscal year in an amount equal to 50 percent of the total levy. The other 50 percent of the levy is typically paid in April, less property tax administrative fees. A final clean up payment is typically made in August of each year. Supplemental property taxes are paid as part of each installment.

Section D – Assessment Appeals / Proposition 8 Adjustments

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 Lake County Assessor's Office, there are no open appeals in the Project Area.

The Assessor is also in the process of reviewing the value of residential property that will appear on the 2008-09 tax roll pursuant to Proposition 8. The Assessor intends to review the status of values on the tax roll for all residential sales that occurred from January 1, 2005 forward and may make future reductions on the 2008-09 tax roll. The reductions are projected to be in the range of 20 percent of the value on the roll for residential parcels that sold in 2005, and by 10 percent for properties that sold in 2006 and 2007. The Assessor also indicated that this is a county-wide average and that residential reductions in Lakeport may be lower.

Since the Assessor has not completed this review, we do not know the exact impact of the reductions. In order to provide an order of magnitude estimate, we have reviewed all residential sales that took place between January 1, 2005 and December 31, 2006 and broken these into two segments. First, we looked at all residential sales that took place in 2005. There were a total of 64 sales, with a taxable value of $16.7 million. If all of these were to be given a 20 percent reduction, total value would decline by $3.3 million.

Second, we reviewed all residential changes of ownership that occurred in 2006. There were a total of 59 sales, with a taxable value of $13.7 million. If all of these were to be given a 10 percent reduction, total value would decline by $1.4 million. The table below summarizes our analysis.

POTENTIAL PROPOSITION 8 IMPACTS

	Number	Roll Value	Potential Reduction In Value	Potential Amount of Reduction
Changes of Ownership - after 1/1/2006 (1)	59	$13,665,744	$12,299,170	$1,366,574
Changes of Ownership - after 1/1/2005 (2)	64	16,714,863	13,371,890	3,342,973
Grand Total	**123**	**$30,380,607**	**$25,671,060**	**$4,709,547**

(1) Potential impact if Assessor reduces value by 10% for all residential transfers of ownership since January 1, 2006.
(2) Potential impact if Assessor reduces value by 20% for all residential transfers of ownership that occurred after January 1 2005.

Section E - Estimate of Current and Future Tax Increment Revenue

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

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment.

Current Year and Projected Revenues

Projections of current year (2007-08) tax increment revenues are shown on Table 4. The values utilized are based on actual taxable values as provided by Lake County. Tax increment generated from the application of the tax rate to incremental taxable value for 2007-08 is estimated at $905,000. Tax rates are composed of the basic one percent tax rate only. The Agency is not eligible to receive tax increment from debt service tax rates (tax rates levied to repay voter approved indebtedness) levied in the Project Area, since these were approved after January 1, 1989.

Table 5 provides a projection of tax increment revenues. Real property shown on the table consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by the County for 2007-08. For 2007-08 and future fiscal years, we have used a 2 percent inflation factor to increase real property values. That reflects the factor which assessors had been directed to use by the SBE in preparing the 2008-09 tax roll. The maximum inflation factor is 2 percent per year. The other property category of value has been held constant in the projections.

The projections have been increased for the value of new development that is currently under construction. Information on the scope and timing for the new developments has been provided by Agency staff. Table 6 shows the developments that have been included.

1. Schall Industrial Park: This development includes three buildings with a total of 49,024 square feet. It is expected to be complete by the end of the year. We have added new value to the 2009-10 tax roll for this development.
2. Plaza Paint Building: This building will include 2,639 square feet of use. Taxable value from the completion of construction is assumed to occur on the 2009-10 tax roll.

Section F – Adjustments and Liens on Tax Increment Revenue

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

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. For purposes of the projections shown on Tables 4 and 5, we have estimated the fees based on 1.54 percent of the total tax increment revenues of the Project Area, which is what the fees represented in 2006-07.

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. We have shown the total housing set-aside revenues of the Project Area on Tables 4 and 5.

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.

Tier	Payment Required
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 (2011-12), an additional payment equal to 21% of the tax increment attributable to assessed value growth above year 10 levels (2010-11).
Tier 3	Beginning in the 31st year that the Agency receives tax increment (2031-32), an additional payment equal to 14% of the tax increment attributable to growth above year 30 levels (2030-31).

Tier 1 payments are currently being made for the Project Area. The Agency has not requested that the tax entities subordinate the payments to the Bonds.

Section G – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund into which tax increment is directly deposited and accrue interest to the fund; 4) Determine that the planning and administrative costs charged to the housing fund are necessary for the production, improvement, or preservation of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

Educational Revenue Augmentation Fund (ERAF)

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift $75 million of tax increment revenues to ERAF in 2002-03, $135 million in 2003-04 and $250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. There is no current requirement for an ERAF payment in 2007-08 or any future fiscal year, although the state of California is again experiencing financial difficulties. The past ERAF contribution is shown in the table on the next page:

Prior ERAF Payments	
Fiscal Year	**Amount**
2002-03	$2,789
2003-04	$8,682
2004-05	$20,460
2005-06	$28,412

Table 1
Lakeport Redevelopment Agency
Lakeport Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2007-08	190,383,560	14,536,273	$204,919,833	18.02%	$90,548,836
2006-07	177,691,668	13,905,903	191,597,571	10.35%	77,226,574
2005-06	160,400,492	13,233,138	173,633,630	11.22%	59,262,633
2004-05	144,159,756	11,956,726	156,116,482	16.02%	41,745,485
2003-04	131,542,102	12,775,096	144,317,198	N/A	29,946,201

Total Percentage Change	41.99%
Average Percentage Change	9.16%

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

Table 2
Lakeport Redevelopment Agency
Lakeport Project Area

TEN MAJOR PROPERTY TAX ASSESSEES (1)

Assessee	Parcels	Type of Use	2007-08 Secured Value	%of Total Value (2)	%of Inc. Value (2)
1) Brunos Property Management LLC	1	Commercial	$4,222,583	2.22%	4.77%
2) Dias Samudra Priya	3	Commercial	3,485,338	1.83%	3.93%
3) Lake County Tribal Health Consortium Inc.	1	Commercial	3,410,899	1.79%	3.85%
4) Shoreline Center	6	Commercial	3,201,538	1.68%	3.61%
5) Jackson Avenue Properties LLC	2	Commercial	2,397,000	1.26%	2.70%
6) Sloan William H. Jr. & June E. Trustees	1	Commercial	1,855,741	0.97%	2.09%
7) Kajol Mangu Inc.	1	Commercial	1,837,732	0.97%	2.07%
8) Butcher Derek R. & Kelly L.	1	Residential	1,560,600	0.82%	1.76%
9) Bevins	3	Residential/Commercial	1,377,409	0.72%	1.55%
10) Fairground Village Mobile Home Park LLC	1	Commercial	1,351,270	0.71%	1.52%
Total Valuation			**24,700,110**	**12.97%**	**27.87%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2007-08 Project Area secured taxable value of $190,383,560 and incremental value of $88,613,734.

Table 3
Lakeport Redevelopment Agency
Lakeport Project Area

HISTORICAL RECEIPTS

	Levy per County (1)	Tax Increment (2) Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2006-07	$760,336	$765,322	100.66%	$96,051	$861,372	113.29%
2005-06	582,026	594,809	102.20%	141,403	736,212	126.49%
2004-05	408,246	410,087	100.45%	92,498	502,585	123.11%
2003-04	292,290	294,081	100.61%	66,769	360,850	123.46%
Average Receipts to Levy			**101.05%**			**120.47%**

(1) Intial levy reported by Lake County inclusive of tax sharing payments but reduced by admin. fees.
(2) Receipts per Agency records less reduction for property tax admin. fees. Tax sharing payments are included in tax increment receipts. Does not include interest allocations from County.

Table 4
Lakeport Redevelopment Agency
Lakeport Project Area

ESTIMATE OF TAX INCREMENT REVENUE FOR FISCAL YEAR 2007-08

	Taxable Value (1)
Local Secured	
Land	$66,780,279
Improvements	130,019,207
Personal Property	2,304,717
Gross Local Secured	199,104,203
Exempt	8,720,643
Net Local Secured	190,383,560
Unsecured	
Land	2,307,594
Improvements	5,565,451
Personal Property	7,398,488
Total Unsecured	15,271,533
Exempt	735,260
Net Unsecured	14,536,273
Total Value	**204,919,833**
Base Year Taxable Value	114,370,997
Incremental Taxable Value	90,548,836
Tax Increment	905,488
Adjustments to Tax Increment Revenue:	
Property Tax Administration Fees (2)	13,988
Adjusted Tax Increment Revenues	**891,500**
Liens on Tax Increment	
Housing Set-Aside (3)	181,098
AB 1290 Tax Sharing Payments (4)	181,098
Tax Revenues	**529,305**

(1) Based on taxable values from Lake County.
(2) Estimated based on 2.40% of Tax Increment.
(3) Based on 20 percent of total tax increment revenue.
(4) Tax sharing payments per the provisions of AB 1290.

Table 5
Lakeport Redevelopment Agency
Lakeport Project Area

TAX INCREMENT PROJECTION
(000's Omitted)

Fiscal Year	(1) Real Property	(2) New Development	(3) Other Property	Total Value	Value Over Base Of 114,371	Tax (4) Increment	(5) Property Tax Admin. Fees	Housing Set-Aside	(6) AB 1290 Tax Sharing	Tax Revenues
2007 - 2008	$195,217	N/A	$9,703	$204,920	$90,549	$905	$14	$181	$181	$529
2008 - 2009	199,121	0	9,703	208,824	94,453	945	15	189	189	552
2009 - 2010	203,103	3,993	9,703	216,800	102,429	1,024	16	205	205	599
2010 - 2011	211,239	0	9,703	220,942	106,571	1,066	16	213	213	623
2011 - 2012	215,464	0	9,703	225,167	110,796	1,108	17	222	222	648
2012 - 2013	219,773	0	9,703	229,476	115,105	1,151	18	230	237	666
2013 - 2014	224,168	0	9,703	233,872	119,501	1,195	18	239	254	684
2014 - 2015	228,652	0	9,703	238,355	123,984	1,240	19	248	270	703
2015 - 2016	233,225	0	9,703	242,928	128,557	1,286	20	257	287	722
2016 - 2017	237,889	0	9,703	247,592	133,221	1,332	21	266	304	741
2017 - 2018	242,647	0	9,703	252,350	137,979	1,380	21	276	322	761
2018 - 2019	247,500	0	9,703	257,203	142,832	1,428	22	286	339	781
2019 - 2020	252,450	0	9,703	262,153	147,782	1,478	23	296	358	802
2020 - 2021	257,499	0	9,703	267,202	152,831	1,528	24	306	376	823
2021 - 2022	262,649	0	9,703	272,352	157,981	1,580	24	316	395	844
2022 - 2023	267,902	0	9,703	277,605	163,234	1,632	25	326	415	866
2023 - 2024	273,260	0	9,703	282,963	168,592	1,686	26	337	434	888
2024 - 2025	278,725	0	9,703	288,428	174,057	1,741	27	348	454	911
2025 - 2026	284,300	0	9,703	294,003	179,632	1,796	28	359	475	934
2026 - 2027	289,986	0	9,703	299,689	185,318	1,853	29	371	496	958
2027 - 2028	295,785	0	9,703	305,489	191,118	1,911	30	382	517	982
2028 - 2029	301,701	0	9,703	311,404	197,033	1,970	30	394	539	1,007
2029 - 2030	307,735	0	9,703	317,438	203,067	2,031	31	406	561	1,032
2030 - 2031	313,890	0	9,703	323,593	209,222	2,092	32	418	584	1,058
2031 - 2032	320,168	0	9,703	329,871	215,500	2,155	33	431	607	1,084
2032 - 2033	326,571	0	9,703	336,274	221,903	2,219	34	444	638	1,103
2033 - 2034	333,102	0	9,703	342,806	228,435	2,284	35	457	676	1,116
2034 - 2035	339,764	0	9,703	349,468	235,097	2,351	36	470	708	1,136
2035 - 2036	346,560	0	9,703	356,263	241,892	2,419	37	484	741	1,157
2036 - 2037	353,491	0	9,703	363,194	248,823	2,488	38	498	774	1,178
2037 - 2038	360,561	0	9,703	370,264	255,893	2,559	40	512	808	1,200

Footnotes

(1) Prior Year Real Property increased by 2 percent per year.
(2) See Table 2 "Schedule of New Development".
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to incremental taxable value.
(5) Per SB 2557, reflects Project Area share of the County's property tax administrative costs.
(6) Payments required per AB 1290.

Table 6
Lakeport Redevelopment Agency
Lakeport Project Area

SCHEDULE OF NEW DEVELOPMENT

Development Description	Sq. Footage/ No. Units	Cost Per Foot/Unit	Total Value	Less: Value on 2008	Total Value Added	0 2009	1 2010
Under Construction							
Schall Industrial Park Project	49,024	75.00	3,676,800	0	3,676,800	0	3,676,800
Plaza Paint Building	2,639	120.00	317,000	0	317,000	0	317,000
Total			**3,993,800**	**0**	**3,993,800**	**0**	**3,993,800**

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds, which is not intended to be definitive. Reference is made to the actual document (a copy of which may be obtained from the Agency) for the complete terms thereof.

Definitions

"Agency Debt" means, collectively, the Bonds, the 2004 Bonds and all Parity Debt, to the extent outstanding under the Indenture, the 2004 Bond Agreement and the respective documents authorizing the issuance of such Parity Debt.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means any twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on September 1, 2009.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"City" means the City of Lakeport, a municipal corporation organized and existing under the laws of the State of California.

"Closing Date" means the date on which the Bonds are originally issued by the Agency.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; Rating Agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of Lake, a county duly organized and existing under the Constitution and laws of the State of California.

"Debt Service Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Event of Default" means any of the events described as such in the Indenture.

"Federal Securities" means: (a) any 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), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Indenture" means the Indenture of Trust dated as of May 1, 2008, between the Agency and the Trustee authorizing the issuance of the Bonds, as amended or supplemented from time to time.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period.

"Interest Account" means the account by that name established and held by the Trustee as an account within the Debt Service Fund.

"Interest Payment Date" means September 1, 2008, and each March 1 and September 1 thereafter so long as any of the Bonds remain unpaid.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Fiscal Year, the sum of (a) the amount of interest payable on the principal balance of the Agency Debt in such Fiscal Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the outstanding Agency Debt in such Fiscal Year, including any principal required to be redeemed by operation of mandatory sinking fund payments. For purposes of such calculation, (i) there shall be disregarded any Agency Debt to the extent defeased or discharged in accordance with the terms thereof, and (ii) the principal of and interest on any Parity Debt must be computed on the assumption that all amounts on deposit in any escrow fund established for such Parity Debt were withdrawn therefrom and applied to the mandatory pro rata redemption of such Parity Debt.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the registration books of the Trustee.

"Parity Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds under the Indenture.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) obligations of any federal agency which represent full faith and credit of the United States of America, or which are otherwise rated "AAA" by each Rating Agency;

(c) U.S. dollar denominated deposit accounts federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A" or better by each Rating Agency, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(d) commercial paper which is rated at the time of purchase in the single highest classification, "A" or better by each Rating Agency, and which matures not more than 270 calendar days after the date of purchase;

(e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by each Rating Agency, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(f) investment agreements with financial institutions whose long-term general credit rating is A or better from each Rating Agency, by the terms of which the Trustee may withdraw funds if such rating falls below A; and

(g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from tax increment revenues which may be outstanding at any time, (b) the period of time for establishing or incurring indebtedness payable from tax increment revenues, and (c) the period of time for collection of tax increment revenues and repayment of Agency indebtedness from tax increment revenues.

"Principal Account" means the account by that name established and held by the Trustee as an account within the Debt Service Fund.

"Project Area" means the project area described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met:

(a) at the time of issuance the long-term credit rating of such bank or insurance company is AA or better from S&P or Aa or better from each Rating Agency, or the claims paying ability of such insurance

company is rated in the highest rating category by A.M. Best & Company;

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and

(d) the Trustee is authorized under the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required under the Indenture.

"Rating Agency" means any national rating agency which maintains a rating on the Bonds.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, as amended from time to time.

"Redevelopment Plan" means the Redevelopment Plan for the Lakeport Redevelopment Project Area, approved by Ordinance No. 799 (99) enacted by the City Council of the City on June 7, 1999, together with any additional amendments thereof at any time duly authorized under the Redevelopment Law.

"Redevelopment Project" means the undertaking of the Agency under the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

"Reserve Requirement" means, as of the date of any calculation, an amount equal to Maximum Annual Debt Service on the Bonds.

"Special Fund" means the fund previously established and held by the Agency for the receipt and deposit of Tax Revenues.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the California Constitution and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal,

interest and premium (if any) with respect to Agency Debt; but excluding all amounts of such taxes required to be paid by the Agency to other taxing agencies under the Tax-Sharing Statutes, unless such payments have been subordinated to the pledge and lien which secures Agency Debt.

"Tax Sharing Statutes" means the provisions of the Redevelopment Law, including but not limited to Sections 33607.5 and 33607.7 thereof, under which a taxing entity is entitled to receive any portion of the Tax Revenues by operation of such statutory provision.

"Term Bonds" means the Bonds maturing on September 1 in each of the years 2033 and 2038.

"2004 Bond Agreement" means the Bond Issuance and Sale Agreement dated as of December 1, 2004, among the Association of Bay Area Governments, the Agency and Union Bank of California, N.A., as trustee, as amended or supplemented from time to time in accordance with its terms.

"2004 Bonds" means, collectively, (a) the Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series A issued by the Agency under the 2004 Bond Agreement in the aggregate principal amount of $1,070,000 and (b) the Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series B issued by the Agency under the 2004 Bond Agreement in the aggregate principal amount of $1,1700,00.

Establishment of Funds; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. Amounts in the Costs of Issuance Fund will be disbursed to pay the Costs of Issuance from time to time upon receipt of written requests of the Agency. On August 1, 2008, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Project Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

Project Fund. The Indenture establishes the Project Fund to be held by the Trustee. Amounts in the Project Fund shall be used solely in the manner provided by the Redevelopment Law and the Redevelopment Plan to provide financing for the Redevelopment Project. The Trustee will disburse amounts in the Project Fund for the foregoing purposes upon the receipt of written requests of the Agency. Upon the completion by the Agency of the purposes for which moneys the Project Fund are intended to be applied, evidenced by a written certificate of the Agency to that effect filed with the Trustee, the Trustee will transfer any remaining amounts in the Project Fund to the Principal Account, to be applied to pay or redeem outstanding Bonds in such amounts and at such times as directed by the Agency.

Special Fund; Deposit of Tax Revenues. The Agency has previously established the Special Fund and will continue to hold the Special Fund so long as any of the Bonds remain outstanding under the Indenture. The Agency will deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time during that Bond Year as the amounts on deposit in the Special Fund equal (a) the aggregate amounts required to be transferred to the Trustee in such Bond Year for deposit into the Interest Account and the Principal Account under the Indenture, (b) the aggregate amounts required to be transferred to the Trustee in

such Bond Year under the 2004 Bond Agreement and (c) the aggregate amounts required to be transferred in such Bond Year for deposit into the funds and accounts established with respect to Parity Debt, as provided in any Supplemental Indenture.

If the amounts on deposit in the Special Fund are at any time insufficient to enable the Agency to make transfers as required to pay the principal of and interest on all outstanding Agency Debt in full when due, the Agency shall make such transfers on a pro rata basis with respect to each issue of Agency Debt, without preference or priority among the Agency Debt.

Debt Service Fund. The Trustee will establish and hold the Debt Service Fund. In addition to the transfers required to be made from the Special Fund for the payment of principal of and interest and premium (if any) on other Agency Debt, the Agency shall transfer amounts on deposit in the Special Fund to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, in the following order of priority:

(a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bonds is due and payable, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the outstanding Bonds on that date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.

(b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the outstanding Bonds, including the aggregate principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on that date. The Trustee shall apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof or upon mandatory sinking fund redemption.

(c) Reserve Account. If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. The Trustee shall apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the Bonds is due and payable hereunder, if there is a deficiency at any time in any of such

accounts, or (ii) at any time for the retirement of all the Bonds then outstanding. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement on the Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

On the date on which all of the outstanding Bonds mature or are scheduled to be redeemed, the Agency may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal or redemption price of the Bonds on that date. Any amounts remaining in the Reserve Account following payment or redemption of the outstanding Bonds in full shall be withdrawn therefrom by the Trustee and paid to the Agency (or to the City, if so directed in writing by the Agency) to be used for any lawful purposes.

(d) Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are subject to redemption, other than mandatory sinking fund redemption of the Term Bonds, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof (other than mandatory sinking fund redemption), on the date set for such redemption.

Deposit of Qualified Reserve Account Credit Instrument

The Agency may at any time direct the Trustee to substitute a Qualified Reserve Account Credit Instrument for any cash on deposit in the Reserve Account (if the Reserve Requirement is maintained in the form of cash) and to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee the following:

(a) a Qualified Reserve Account Credit Instrument, and

(b) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become included in gross income for purposes of federal income taxation.

Upon tender of the foregoing items to the Trustee, the Trustee will transfer such funds from the Reserve Account to the Agency to be used for any lawful purposes. The Trustee must comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain the Qualified Reserve Account Credit Instrument in full force and effect and as shall required to receive payments thereunder. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency must either (1) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (2) deposit or cause to be deposited

with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

Investment of Funds

Amounts held by the Trustee in the funds and accounts established under the Indenture will be invested by the Trustee in Permitted Investments specified in the Indenture and in the written request of the Agency. All moneys in the Special Fund will be invested by the Agency in any investments in which the Agency is legally authorized to invest funds within its control. All interest or gain derived from the investment of amounts in any fund or account will be retained therein; provided, that all interest or gain from the investment of amounts in the Reserve Account will be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement.

Issuance of Parity Debt

The Agency may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.

(b) The amount of Tax Revenues for the then current Fiscal Year is at least equal to 150% of the amount of Maximum Annual Debt Service on all Agency Debt which will be outstanding following the issuance of such Parity Debt. For purposes of this test, annual debt service on any Parity Debt the proceeds of which have been deposited into an escrow fund as provided in subsection (d) below will be excluded.

(c) The Supplemental Indenture or other document providing for the issuance of such Parity Debt must provide that:

(i) interest on said Parity Debt is payable on March 1 and September 1 in each year of the term of such Parity Debt, except that interest during the first twelve month period may be payable on any March 1 or September 1;

(ii) the principal of such Parity Debt is payable on March 1 or September 1 in any year in which principal is payable; and

(iii) an amount is deposited in a reserve fund from the proceeds of the sale of such Parity Debt in an amount equal to Maximum Annual Debt Service on such Parity Debt or such lesser amount as is the maximum permitted under the Tax Code.

(d) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may be released to the Agency to the extent the amount of Tax Revenues for the most recent Fiscal Year

(as evidenced in the written records of the County), is at least equal to 150% of the amount of Maximum Annual Debt Service on all Agency Debt which will be outstanding following the issuance of such Parity Debt.

(e) The issuance of such Parity Debt does not cause the Agency to exceed any applicable Plan Limitations. Without limiting the generality of the foregoing, the Agency may not issue any Parity Debt in the event and to the extent that either:

(i) the aggregate amount of debt service on all outstanding obligations of the Agency, including such Parity Debt, exceeds the aggregate amount of Tax Revenues which are eligible under the Redevelopment Plan to be allocated and paid to the Agency during the period while such outstanding obligations remain outstanding, or

(ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Debt, exceeds any applicable limit in the Redevelopment Plan on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time.

(f) The Agency must deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in above and all of the conditions precedent to the issuance of such Parity Debt set forth the 2004 Bond Agreement and in the documents authorizing the issuance of all other Parity Debt have been satisfied.

Issuance of Subordinate Debt

The Agency may from time to time issue its bonds, notes or other obligations in such principal amount as the Agency may determine, provided that the issuance of such bonds, notes or other obligations does not cause the Agency to exceed any applicable Plan Limitations.

Other Covenants of the Agency

Punctual Payment. The Agency agrees punctually to pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Indenture.

Limitation on Additional Indebtedness. The Agency agrees that so long as any of the Bonds remain outstanding, the Agency will not issue any Bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Bonds. The Agency agrees that it will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only, any Parity Debt and any Subordinate Debt.

Compliance with Parity Bond Documents. The Agency will punctually pay or cause to be paid the principal of and interest and redemption premium (if any) on the 2004 Bonds and all Parity Debt, in strict conformity with the terms of the 2004 Bond Agreement and the respective documents authorizing the issuance of such Parity Debt. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the 2004 Bond Agreement and the respective documents authorizing the issuance of Parity Debt.

Compliance with Plan Limitations. The Agency will not take any action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest on the Agency Debt when due. The Agency will not accept any Tax Revenues which would cause any of the Plan Limitations to be exceeded.

Extension of Payment of Bonds. The Agency will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the outstanding Bonds and of all claims for interest thereon which shall not have been so extended.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Bonds.

Books and Accounts, Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries are made of all transactions relating to the Redevelopment Project, the Redevelopment Fund, the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee and the Owners of not less than 10% in aggregate principal amount of the Bonds then outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the Project Fund, and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such audited financial statements, upon reasonable request, to the Trustee and any Bond Owner.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Bond Owners. From and after the date of issuance of any Bonds, 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, when the same shall become due.

Maintenance of Tax Revenues. The Agency will comply with all requirements of the Redevelopment 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 the State of California. The Agency may not enter into any agreement with the County or any other governmental unit, and will not amend the Redevelopment Plan in a manner which causes additional Tax Revenues to be paid to taxing agencies under the Tax Sharing Statutes, if such action would have the effect of reducing the amount of Tax Revenues to be received in the current or any future Fiscal Year below 150% of Maximum Annual Debt Service on all outstanding Agency Debt. The foregoing provisions do not apply to any agreement with the County or with any other governmental or private entity, which by its terms is subordinate to the pledge of and lien on the Tax Revenues for the benefit of the Bond Owners or which does not obligate the Agency to pay any Tax Revenues except to the extent such Tax Revenues are released from the pledge thereof and lien thereon in accordance with the Indenture.

In addition, if the Agency amends the Redevelopment Plan in a manner which has the effect of obligating the Agency to make payments from Tax Revenues under Section 33607.5 of the Redevelopment Law to other governmental entities, no such amendment shall be made which would have the effect of causing the amount of Tax Revenues to be received in the current or any future Fiscal Year to fall below 150% of Maximum Annual Debt Service on all outstanding Agency Debt.

Limitation on Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) if such disposition would have the effect of reducing the amount of Tax Revenues to be received in the current or any future Fiscal Year below 150% of Maximum Annual Debt Service on all outstanding Agency Debt.

Amendment of Indenture

The Indenture may be amended at any time with the written consents of the Owners of a majority in aggregate principal amount of the outstanding Bonds. No such amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be amended at any time without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

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

(ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Agency and the Trustee;

(iii) to provide for the issuance of Parity Debt, and to provide the terms and conditions under which such Parity Debt are issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture;

(iv) to provide for the issuance of a Qualified Reserve Account Credit Instrument, including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder; or

(v) to amend any provision thereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the Agency and the Trustee.

Events of Default and Remedies

Events of Default Defined. The following events constitute events of default under the Indenture:

(a) Failure to pay any installment of the principal of or redemption premium (if any) on any Bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Agency

by the Trustee; *provided, however,* if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if the Agency institutes corrective action within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The failure by the Agency to pay the principal of and interest on the 2004 Bonds or any Parity Debt when due, or the occurrence and continuation of an event of default under and as defined in the 2004 Bond Agreement or in any Supplemental Indenture authorizing the issuance of Parity Debt.

Remedies. Upon the occurrence and during the continuance of any event of default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding the Trustee shall, take the following actions:

- 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

- exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under the Indenture.

Limitation on Bond Owners' Right to Sue. No Bond Owner has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- such Owner has previously given to the Trustee written notice of the occurrence of an event of default;

- the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;

- said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and

- the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

Defeasance of Bonds

The Agency may pay and discharge the indebtedness on any or all of the outstanding Bonds by irrevocably depositing with the Trustee or another fiduciary, in trust, Federal Securities in such amount as an independent consultant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at maturity. Upon such deposit, the pledge of the Tax Revenues and other funds provided for in the Indenture, and all other obligations of the Agency under the Indenture, will cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Agency.

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF LAKEPORT AND LAKE COUNTY

The City

The City of Lakeport is located on the western shore of Clear Lake, in west-central Lake County, in northwestern California. The City is located generally just north of the northern intersection of State Routes 175 and 29, and south of the intersection of State Routes 29 and 20. The City is about 45 miles northeast of Santa Rosa, the closest metropolitan area. It is one of two incorporated cities in Lake County and has been the County seat since 1861. The City is a principal center for government, commerce, agricultural interest, and recreation in Lake County. The City of Lakeport encompasses approximately 2.5 square miles. It was incorporated in 1888 and operates as a general law city under the council-manager form of government. The City has a resident population of just over 5,200 with Lake County just over 60,000. It is estimated that over 40 percent of employment in Lake County is located in the Lakeport area.

There are six business centers in the Lakeport area, including the historic downtown area which was designated a California Main Street Demonstration City in 1995. About 430 businesses are established in Lakeport and the community supports roughly 45 percent of the county's jobs.

Population

The following sets forth the City, the County and the State population estimates as of January 1 for the years 2004 to 2008:

CITY OF LAKEPORT, LAKE COUNTY AND STATE OF CALIFORNIA
Estimated Population

Year (January 1)	City of Lakeport	Lake County	State of California
2004	5,093	62,802	36,245,016
2005	5,145	63,717	36,728,196
2006	5,096	63,737	37,195,240
2007	5,060	63,740	37,559,440
2008	5,045	64,059	38,049,462

Source: State of California Department of Finance, Demographic Research Unit.

Major Employers

The following table lists the major employers within the County as of 2008:

LAKE COUNTY
Major Employers
January 2008

Employer name	Location	Industry
Adobe Creek Packing Company Inc	Kelseyville	Fruits & vegetables growers & shippers
Adventist Health-Redbud	Clearlake	Hospitals
Bruno's Shop Mart	Lakeport	Bakers-retail
Calpine Corp	Middletown	Electric companies
Evergreen Lakeport Healthcare	Lakeport	Nursing & convalescent homes
Harbin Hot Springs	Middletown	Hot springs
Hardesters Market & Hardware	Middletown	Grocers-retail
Kmart	Lakeport	Department stores
Konocti Harbor Resort & Spa	Kelseyville	Resorts
Konocti Vista Casino	Lakeport	Casinos
Konocti Vista Casino Resort	Lakeport	Hotels & motels
Lake County Social Svc Dept	Lower lake	County government-social/human resources
Mariani Dryers	Kelseyville	Fruit drying
Meadowood Nursing Ctr	Clearlake	Nursing & convalescent homes
Redbud Community Hospital	Clearlake	Hospitals
Redbud Family Health Ctr	Clearlake	Health services
Robinson Rancheria Bingo	Upper lake	Bingo games
Safeway	Clearlake	Grocers-retail
Scully Packing Co LLC	Finley	Fruits & vegetables-growers & shippers
Shannon Ranches Inc	Clearlake oaks	Vineyards
Snows Lake Ranch	Lower lake	Vineyards
Sutter Lakeside Hospital	Lakeport	Hospitals
Sutter Lakeside Hospital Cmnty	Lakeport	Health services
Twin Pine Casino	Middletown	Restaurants
Wal-Mart	Clearlake	Department stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry for the County. Figures do not include sole proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

LAKE COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2003	2004	2005	2006	2007
Wage and Salary Employment [1]					
Total Farm	840	860	890	980	1,110
Total Nonfarm	13,550	13,340	13,600	13,520	13,510
Total Private	9,300	9,160	9,250	9,450	9,200
Goods Producing	1,160	1,050	1,130	1,220	1,150
Natural Resources, Mining and Construction	770	740	830	900	840
Manufacturing	390	320	300	320	320
Durable Goods	190	150	120	130	130
Nondurable Goods	200	170	180	200	190
Service Providing	12,390	12,290	12,470	12,290	12,350
Private Service Producing	8,140	8,110	8,110	8,230	8,050
Trade, Transportation and Utilities	2,840	2,940	2,850	2,860	2,860
Wholesale Trade	210	240	210	160	170
Retail Trade	1,990	2,050	2,020	2,070	2,090
Transportation, Warehousing and Utilities	640	650	630	630	610
Information	150	160	160	160	150
Financial Activities	410	420	440	450	430
Professional and Business Services	760	600	620	670	640
Educational and Health Services	2,070	2,090	2,150	2,170	2,230
Leisure and Hospitality	1,550	1,570	1,560	1,590	1,410
Other Services	370	340	330	330	320
Government	4,240	4,180	4,350	4,060	4,310
Federal Government	160	160	160	160	160
State and Local Government	4,080	4,020	4,200	3,910	4,150
State Government	200	170	160	160	170
Local Government	3,880	3,850	4,040	3,740	3,980
Total, All Industries [2]	14,390	14,200	14,490	14,490	14,620

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Figures may not total due to rounding.
Source: State of California Employment Development Department.

Construction Activity

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

CITY OF LAKEPORT
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2003	2004	2005	2006	2007
Permit Valuation					
	$	$1	$4	$2	$4
New Single-family	2,627.9	,305.4	,531.7	,704.0	,648.4
New Multi-family	203.1	0.0	0.0	0.0	0.0
Res. Alterations/Additions	1,181.8	823.1	810.0	924.7	588.2
Total Residential	4,012.9	2,128.5	5,341.7	3,628.8	5,236.6
New Commercial	270.0	1,300.0	735.0	0.0	2,524.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	268.1	318.8	408.3	168.5	623.9
Com. Alterations/Additions	288.9	1,083.9	50.7	1,123.5	75.4
Total Nonresidential	$ 827.0	$2,702.7	$1,194.0	$1,292.0	$3,223.9
New Dwelling Units					
Single Family	18	7	18	17	22
Multiple Family	2	0	0	0	0
TOTAL	20	7	18	17	22

Source: Construction Industry Research Board, Building Permit Summary.

LAKE COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2003	2004	2005	2006	2007
Permit Valuation					
		$92	$1	$8	$
New Single-family	$73,741.8	,931.6	09,586.2	9,191.2	58,028.0
New Multi-family	8,933.3	9,312.2	478.2	9,525.0	6,575.3
Res. Alterations/Additions	9,216.6	8,317.4	6,037.9	8,021.6	7,238.8
Total Residential	91,891.7	110,561.2	116,102.4	106,737.8	71,842.1
New Commercial	590.1	4,379.2	1,933.8	3,526.1	20,407.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	5,155.4	7,224.2	6,185.6	6,255.8	9,030.5
Com. Alterations/Additions	1,804.5	2,312.2	2,632.1	3,088.2	2,431.0
Total Nonresidential	$ 7,549.9	$13,915.6	$ 10,751.5	$12,870.2	$31,869.3
New Dwelling Units					
Single Family	416	521	503	491	335
Multiple Family	124	111	6	115	70
TOTAL	540	632	509	606	405

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

Total taxable sales during the first quarter of calendar year 2007 in the City were reported to be $28,832,000, a 1.9% increase over the total taxable sales of $28,284,000 reported during the first quarter of calendar year 2006. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available for 2007.

CITY OF LAKEPORT
Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	146	100,945	321	108,378
2003	159	99,813	333	110,926
2004	157	105,201	333	116,899
2005	157	109,726	326	122,456
2006	158	113,735	319	127,352

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

Total taxable sales during the first quarter of calendar year 2007 in the County were reported to be $131,763,000, an 8.1% increase over the total taxable sales of $121,843,000 reported during the first quarter of calendar year 2006. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available.

LAKE COUNTY
Taxable Transactions
(Dollars in Thousands)

	2002	2003	2004	2005	2006
Retail Stores:					
Apparel Stores Group	$2,009	$1,964	$2,010	$2,234	$2,485
General Merchandise Stores Group	72,324	75,000	78,437	82,013	82,862
Food Stores Group	48,547	46,877	46,954	49,571	49,409
Eating and Drinking Group	33,422	34,716	37,211	39,668	40,102
Household Group	7,749	8,017	8,603	8,841	8,811
Building Materials Group	41,194	45,134	55,555	59,668	60,659
Automotive Group	57,534	55,897	50,868	52,391	52,073
Service Stations	21,646	27,368	36,496	41,405	46,189
Other Retail Stores	43,399	47,866	55,163	58,935	64,377
Retail Store Totals	327,824	342,839	371,297	394,726	406,967
All Other Outlets	116,893	116,330	136,343	144,416	159,384
TOTAL ALL OUTLETS	$444,717	$459,169	$507,640	$539,142	$566,351

Source: State Board of Equalization.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County of Lake, the State and the United States for the period 2003 through 2007. Information for 2008 is not currently available.

LAKE COUNTY
Effective Buying Income
2003 through 2007

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2003	Lake County	$ 939,618	$29,208
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Lake County	$ 990,319	$30,258
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Lake County	$ 1,035,420	$30,504
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Lake County	$ 1,098,648	$ 32,582
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Lake County	$1,152,803	$33,612
	California	814,894,438	48,203
	United States	6,300,794,040	41,792

Source: Sales & Marketing Management Survey of Buying Power for 2003 and 2004; Claritas Demographics for 2005 and after.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

May 22, 2008

Redevelopment Agency of the City of Lakeport
225 Park Street
Lakeport, California 95453

OPINION: $3,425,000 Redevelopment Agency of the City of Lakeport, Lakeport Redevelopment Project 2008 Tax Allocation Bonds

Members of the Agency:

We have acted as bond counsel to the Redevelopment Agency of the City of Lakeport (the "Agency") in connection with the issuance by the Agency of its $3,425,000 aggregate principal amount of Lakeport Redevelopment Project 2008 Tax Allocation Bonds (the "Bonds"), under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Bond Law"), and under an Indenture of Trust dated as of May 1, 2008 (the "Indenture"), between the Agency and Union Bank of California, N.A., as trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California, with the full power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms.

3. Under the Bond Law, the Indenture establishes a valid lien on the funds pledged by the Indenture for the security of the Bonds.

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

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code") such that, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Bonds. The opinions set forth in this paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of Lakeport (the "Agency") in connection with the sale of its $3,425,000 Lakeport Redevelopment Project, 2008 Tax Allocation Bonds. The Agency hereby covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" shall mean Union Bank of California, N.A. acting as the Dissemination Agent, 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.

"*Official Statement*" shall mean the Official Statement dated May 8, 2008 relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the original 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 months after the end of the Agency's fiscal year (which currently would be March 31 based upon the Agency's current June 30 fiscal year), commencing by March 31, 2009 with the report for the 2007-08 fiscal year, provide to each Repository (or, in lieu of providing to each Repository, provide to the CPO) and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

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

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

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

(a) Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial

information and operating data with respect to the Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds, as follows:

(i) summary of Agency indebtedness payable from tax increment generated in the Lakeport Redevelopment Project (the "Project Area"), including the amount outstanding as of June 30 of the most recent fiscal year;

(ii) identity of pending and successful appeals of assessed values in the Project Area, but only if total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;

(iii) summary of taxable value in the Project Area for the most recent fiscal year;

(iv) summary of historic receipts of tax increment in the Project Area and the amount of the Tax Revenues and Housing Set-Aside Revenues for the most recently completed fiscal year; and

(v) any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds for the most recently completed fiscal year.]

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

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

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

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

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

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

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

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

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

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories 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, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

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

The Agency shall pay the reasonable fees and expenses of the Dissemination Agent for its duties hereunder. Article VI of each Indenture is hereby made applicable to this Disclosure Certificate as if this Agreement were contained in such Indenture, and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have no responsibility for the preparation, form or content of any Annual Report or any notice of a Listed Event.

Section 12. Counterpart. This Disclosure Certificate may be executed in counterpart, each of which shall constitute an original signature page thereof.

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

Date: _____, 2008

REDEVELOPMENT AGENCY OF THE
CITY OF LAKEPORT

By: _____
Executive Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City of Lakeport

Name of Bond Issue: Redevelopment Agency of the City of Lakeport, Lakeport Redevelopment Project, 2008 Tax Allocation Bonds, Series A

Date of Issuance: May 22, 2008

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Lakeport (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture dated as of May 1, 2008 between the Agency and Union Bank of California, N.A., San Francisco, California, as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated:_____

REDEVELOPMENT AGENCY OF THE
CITY OF LAKEPORT

By_____
Executive Director

cc: Trustee

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APPENDIX G

BOOK ENTRY ONLY SYSTEM

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

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

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

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

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

4. 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

6. 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) 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 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).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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