NEW ISSUE - BOOK-ENTRY ONLY

S & P RATING
(All 2008 Bonds): A-
BHAC INSURED Ratings
(Series B 2012-2018 Maturities Only):
Moody's: Aaa
S & P: AAA
See "Ratings" herein.

SERIES B TAXABLE (FEDERAL)
SERIES C TAX-EXEMPT (FEDERAL)
SERIES B & SERIES C TAX-EXEMPT (STATE OF CALIFORNIA)

In the opinion of Robinson & Pearman LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series C Bonds is excluded pursuant to Section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds (federally taxable) or regarding any other federal tax consequence relating to the accrual or receipt of interest on the Series B Bonds or the Series C Bonds. Bond Counsel is further of the opinion that, under existing law, interest on the Series B Bonds and the Series C Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

CRA/LA

WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT

08-0791

$22,580,000
TAX ALLOCATION BONDS
SERIES B (TAXABLE)

08-0792

$11,050,000
TAX ALLOCATION BONDS
SERIES C (TAX EXEMPT)

Dated: Date of Delivery **Due: September 1, as shown on the inside cover page**

This cover page contains certain information for quick reference only, and is not intended as a summary of this financing. Investors must read the entire official statement, including the section on Bondowners' Risks, to obtain information essential to the making of an informed investment decision.

The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency" or "CRA/LA") is issuing its Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) (the "Series B Bonds") and its Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series C (Tax Exempt) (the "Series C Bonds," and collectively, together with the Series B Bonds, the "2008 Bonds" and each of such series, also referred to as a "Series" of Bonds) pursuant to an Indenture dated as of June 1, 2006 (the "Master Indenture") by and between the Agency and The Bank of New York Trust Company, N. A. as Trustee (the "Trustee"), as supplemented by a First Supplemental Indenture (Wilshire Center/Koreatown Recovery Redevelopment Project) relating to the Series B Bonds and a Second Supplemental Indenture (Wilshire Center/Koreatown Recovery Redevelopment Project) relating to the Series C Bonds, each dated as of June 1, 2008 (the "First Supplemental Indenture" and the "Second Supplemental Indenture," respectively, and together, the "Supplemental Indentures"), each by and between CRA/LA and the Trustee (collectively, the Supplemental Indentures being referred to, together with the Master Indenture, as the "Indenture"). The 2008 Bonds are issued pursuant to the Indenture and the Constitution and the laws of the State of California (the "State") including the Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the "Community Redevelopment Law" or the "Law"). The 2008 Bonds are being issued to (i) pay the costs of various redevelopment projects and activities in the Wilshire Center/Koreatown Recovery Redevelopment Project Area (the "Project" and the "Project Area"), (ii) fund separate reserve subaccounts for the Series B Bonds and the Series C Bonds, and (iii) pay the costs of issuing the 2008 Bonds. CRA/LA will make payments of principal and interest with respect to the 2008 Bonds solely from certain Tax Revenues to be received by CRA/LA from the Project Area (the "Tax Revenues") and from certain limited funds and accounts held by the Trustee under the Indenture. The 2008 Bonds will be payable from the Tax Revenues on a parity with certain outstanding indebtedness previously issued by CRA/LA in respect of the Project. See "SECURITY FOR THE 2008 BONDS" herein.

Interest on the 2008 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2008. Principal for the 2008 Bonds is payable in the amounts and on the dates set forth on the inside cover page hereof. The 2008 Bonds will be issued in book-entry form, without coupons, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The 2008 Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Purchasers of the 2008 Bonds will not receive physical certificates from CRA/LA or the Trustee representing their interests in the 2008 Bonds purchased. DTC will act as securities depository for the 2008 Bonds. Principal and interest are payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the 2008 Bonds, as described in APPENDIX E - "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series B Bonds are not subject to optional redemption or madatory sinking fund redemption prior to their scheduled maturity dates. The Series C Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE 2008 BONDS" herein.

The 2008 Bonds are not a debt of the City of Los Angeles, the State of California nor any of its political subdivisions (other than CRA/LA to the extent set forth herein), and CRA/LA has no taxing power. The 2008 Bonds are payable solely from Tax Revenues allocated to CRA/LA from the Project Area as described herein and from certain limited funds held by the Trustee. The 2008 Bonds do not constitute an indebtedness of CRA/LA within the meaning of any constitutional or statutory debt limitation or restriction.

As further described herein, the scheduled payment of principal of and interest, when due, on the Series B Bonds maturing in the years 2012 to 2018, inclusive, will be insured by a Financial Guaranty Insurance Policy to be issued, simultaneously with the execution and delivery of the 2008 Bonds, by

BERKSHIRE HATHAWAY ASSURANCE CORPORATION
SERIES B BONDS 2012-2018 MATURITIES

The Sereis B Bonds other than the 2012-2018 maturities and the Series C Bonds are not insured. See "FINANCIAL GUARANTY INSURANCE POLICY" and APPENDIX G - "FORM OF FINANCIAL GUARANTY INSURANCE POLICY" herein.

The 2008 Bonds are offered, when, as and if delivered and received by the successful bidder, subject to an opinion as to the legality of the 2008 Bonds by Robinson & Pearman LLP, Bond Counsel. The Law Offices of Elizabeth C. Green is serving as Disclosure Counsel in connection with the issuance of the 2008 Bonds. Certain legal matters will be passed upon for CRA/LA by Rockard J. Delgadillo, City Attorney of the City of Los Angeles, California. It is anticipated that the 2008 Bonds will be available for delivery in book-entry form in New York, New York on or about June 26, 2008.

Dated: June 12, 2008.

MATURITY DATES, PRINCIPAL AMOUNTS*, INTEREST RATES AND YIELDS

CRA/LA

Wilshire Center/Koreatown Recovery Redevelopment Project

$22,580,000
Tax Allocation Bonds, Series B (Taxable)
Serial Bonds (Base CUSIP†: 54439N)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2009	$1,730,000	6.000%	4.660%	BU0
2010	1,815,000	6.000%	4.860%	BV8
2011	1,915,000	6.000%	5.320%	BW6
2012*	2,025,000	6.000%	5.050%	BX4
2013*	2,145,000	6.000%	5.250%	BY2
2014*	2,275,000	6.000%	5.420%	BZ9
2015*	2,420,000	6.000%	5.620%	CA3
2016*	2,575,000	6.000%	5.750%	CB1
2017*	2,745,000	6.250%	5.850%	CC9
2018*	2,935,000	6.500%	5.950%	CD7

$11,050,000
Tax Allocation Bonds, Series C (Tax-Exempt)**
(Base CUSIP†: 54439N)

$1,910,000 Serial Series C Bonds

Year (September 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP†
2019	$280,000	5.100%	4.500%	CE5
2020	295,000	5.100%	4.650%	CF2
2021	310,000	5.100%	4.750%	CG0
2022	325,000	5.100%	4.800%	CH8
2023	340,000	5.100%	4.900%	CJ4
2024	360,000	5.100%	5.000%	CK1

$1,625,000 5.200% Term Series C Bonds due September 1, 2028: Yield – 5.100% CUSIP†: 54439N CL9
$1,460,000 5.375% Term Series C Bonds due September 1, 2031: Yield – 5.150%% CUSIP†: 54439N CM7
$2,340,000 5.375% Term Series C Bonds due September 1, 2035: Yield – 5.200% CUSIP†: 54439N CN5
$3,715,000 5.500% Term Series C Bonds due September 1, 2040: Yield – 5.250% CUSIP†: 54439N CP0

* Series B Bonds maturing in the years 2012 to 2018, inclusive, are insured by BHAC.
** All Series C Bonds were priced to the September 1, 2018 optional call date.
† Copyright 2008, American Bankers Association. CUSIP numbers herein are provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and are set forth herein for the convenience of reference only. None of CRA/LA, Disclosure Counsel nor the Underwriters assume any responsibility for the accuracy of such numbers.

CITY OF LOS ANGELES

MAYOR OF THE CITY OF LOS ANGELES
Antonio R. Villaraigosa

CITY COUNCIL OF THE CITY OF LOS ANGELES

Ed P. Reyes, *District 1*	Tony Cardenas, *District 6*	Bill Rosendahl, *District 11*
Wendy Greuel, *District 2*	Richard Alarcón, *District 7*	Greig Smith, *District 12*
Dennis P. Zine, *District 3*	Bernard C. Parks, *District 8*	Eric Garcetti, *District 13*
Tom LaBonge, *District 4*	Jan Perry, *District 9*	José Huizar, *District 14*
Jack Weiss, *District 5*	Herb J. Wesson, Jr., *District 10*	Janice Hahn, *District 15*

OFFICIALS OF THE CITY OF LOS ANGELES

Rockard J. Delgadillo, *City Attorney*
Laura N. Chick, *City Controller*
Raymond P. Ciranna, *Acting City Administrative Officer*
Karen E. Kalfayan, *Interim City Clerk*
Joya C. De Foor, *City Treasurer*

CRA/LA

Board of Commissioners

William H. Jackson, *Chairman*
Bruce D. Ackerman, *Vice-Chairman*
Joan Ling, *Treasurer*

Madeline Janis
Dave Sickler

Alejandro Ortiz
[Vacancy]

Agency Management

Cecilia V. Estolano, *Chief Executive Officer*
Glenn F. Wasserman, *Chief Operating Officer*
Brence Culp, *Chief Financial Officer*
Donald R. Spivack, *Deputy Chief of Operations and Policy of the Agency*
Raymond L. Fors, *Finance Director*
Leslie Lambert, *Regional Administrator, Hollywood and Central Region*

Agency General Counsel
Rockard J. Delgadillo, *City Attorney*
Los Angeles, California

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Los Angeles, California

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Los Angeles, California

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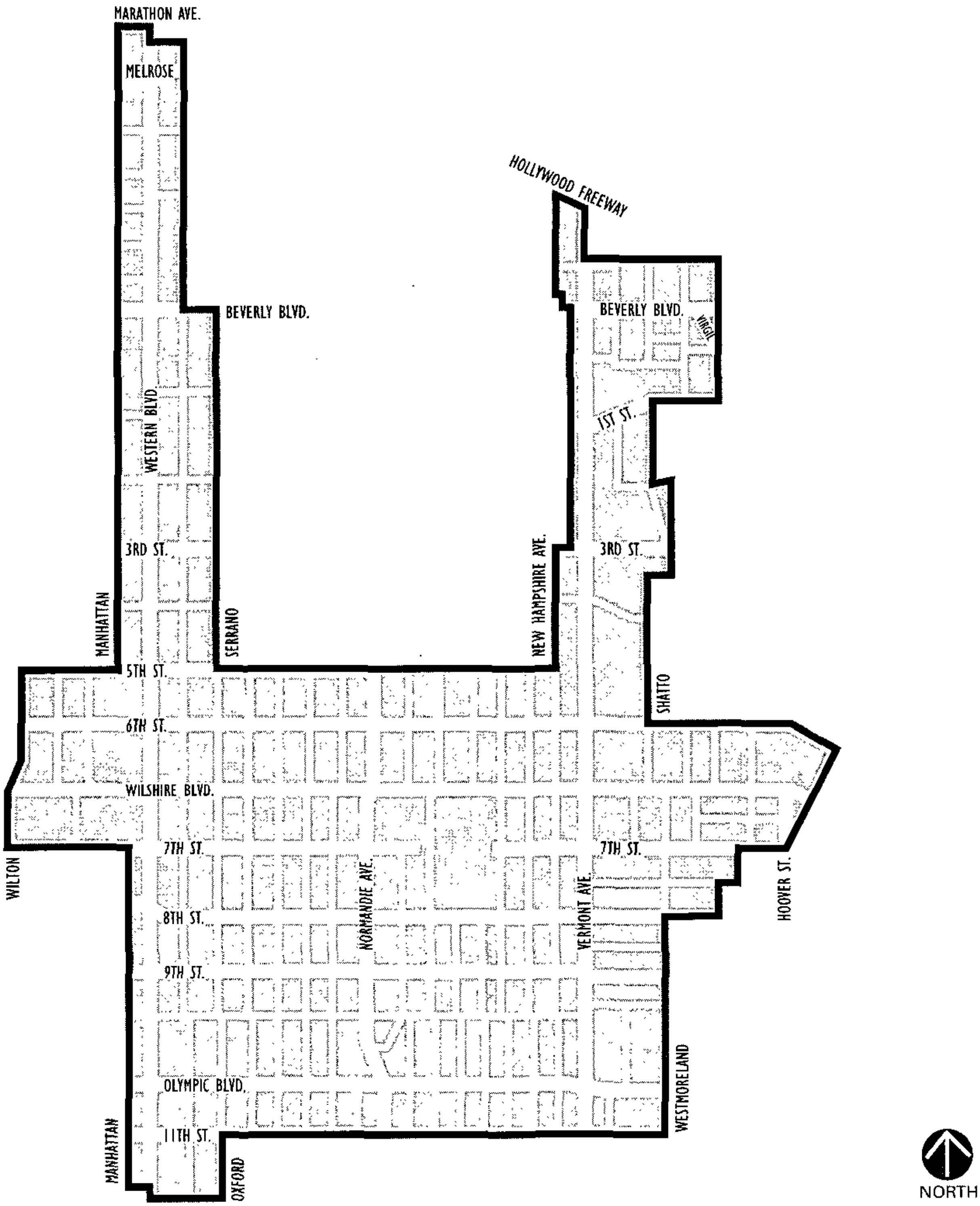
Los Angeles, California

Trustee
The Bank of New York Trust Company, N. A.
Los Angeles, California

Fiscal Consultant
Katz Hollis
Los Angeles, California

Wilshire/Koreatown

CRA/LA



No dealer, broker, salesperson or other person has been authorized by CRA/LA to give any information or to make any representations 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 CRA/LA. This Official Statement is not to be construed as a contract with the purchasers of the 2008 Bonds and 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.

The information set forth herein is furnished by CRA/LA and by other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. Statements contained in the Official Statement which involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, 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, create any implication that there has been no change in the affairs of CRA/LA or any other parties described herein since the date hereof. This Official Statement is submitted in connection with the sale of the 2008 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements". Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Specifically, CRA/LA has set forth certain projections of tax increment revenues to be received by the Project Area in the section herein captioned "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA" The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet CRA/LA's forecasts in any way, regardless of the level of optimism communicated in the information. Except as set forth in the Continuing Disclosure Agreement (see Appendix F hereto), CRA/LA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

A wide variety of information, including financial information, concerning CRA/LA is available from publications and websites of CRA/LA, the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

Other than with respect to information concerning Berkshire Hathaway Assurance Corporation ("BHAC" or the "Series B Bond Insurer") and the Financial Guaranty Insurance Policy contained under the captions "FINANCIAL GUARANTY INSURANCE POLICY," and Appendix G— FORM OF FINANCIAL GUARANTY INSURANCE POLICY herein, none of the information in this Official Statement has been supplied or verified by BHAC and BHAC makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of this Official Statement; (ii) the validity of the 2008 Bonds; or (iii) the tax status of interest on the 2008 Bonds.

In connection with this offering, the Purchaser may overallot or effect transactions that 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.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Official Statement is truthful or complete. Any representation to the contrary is a criminal offense.

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CRA/LA

WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT

$22,580,000 TAX ALLOCATION BONDS SERIES B (TAXABLE)	$11,050,000 TAX ALLOCATION BONDS SERIES C (TAX-EXEMPT)

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the issuance by The Community Redevelopment Agency of the City of Los Angeles, California ("CRA/LA" or the "Agency") of its $22,580,000 aggregate principal amount of its Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) (the "Series B Bonds") and its $11,050,000 aggregate principal amount of Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series C (Tax-Exempt) (the "Series C Bonds," and collectively, together with the Series B Bonds, the "2008 Bonds" and each of such series, also referred to as a "Series" of Bonds).

The 2008 Bonds will be issued by CRA/LA pursuant to an Indenture dated as of June 1, 2006 (the "Master Indenture") by and between the Agency and The Bank of New York Trust Company, N. A. as Trustee (the "Trustee"), as supplemented by a First Supplemental Indenture (Wilshire Center/Koreatown Recovery Redevelopment Project) relating to the Series B Bonds, and a Second Supplemental Indenture (Wilshire Center/Koreatown Recovery Redevelopment Project) relating to the Series C Bonds, each dated as of June 1, 2008 (the "First Supplemental Indenture" and the "Second Supplemental Indenture," respectively, and together, the "Supplemental Indentures"), each by and between CRA/LA and the Trustee (collectively, the Supplemental Indentures being herein referred to, together with the Master Indenture, as the "Indenture"). The 2008 Bonds are issued pursuant to the Indenture and the Constitution and the laws of the State of California (the "State") including the Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the "Community Redevelopment Law" or the "Law"). The 2008 Bonds are being issued to (i) fund various redevelopment projects and activities in the Wilshire Center/Koreatown Recovery Redevelopment Project Area (the "Project" and the "Project Area"), (ii) fund separate reserve subaccounts for the Series B Bonds and the Series C Bonds, and (iii) pay the costs of issuing the 2008 Bonds.

CRA/LA will make payments on the 2008 Bonds solely from certain Tax Revenues to be received by CRA/LA from the Project Area (the "Tax Revenues") and certain limited funds and accounts held by the Trustee under the Indenture. CRA/LA has previously issued bonds and other indebtedness payable from the Tax Revenues of the Project. The 2008 Bonds are payable from the Tax Revenues on a parity with the "Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series A (Taxable)," originally issued in 2006 in the aggregate principal amount of $16,000,000, of which $15,980,000 in principal amount is outstanding as of June 1, 2008 (the "Series A Bonds"). The Series A Bonds are also referred to herein from time to time as the "Outstanding Parity Bonds." The Master Indenture permits the issuance of Additional Bonds secured by the Tax Revenues of the Project Area, upon compliance with the conditions thereof. See "SECURITY FOR THE 2008 BONDS—Outstanding Parity Bonds" and "–Issuance of Additional Bonds" herein.

CRA/LA is a public body, corporate and politic, organized and existing under and pursuant to the Constitution and laws of the State. The Agency was activated in 1948 by resolution of the Council of the City of Los Angeles, California (the "City") pursuant to the Community Redevelopment Law.

The Project Area, one of the 32 active redevelopment projects undertaken by the Agency, was established with the adoption of the redevelopment recovery plan for the Project Area by the City Council on December 13, 1995 (the "Redevelopment Plan). The Project Area is situated approximately one and one-half miles west of downtown Los Angeles. The Project is included in the CRA/LA Hollywood & Central Regional Area.

The Constitution and the Community Redevelopment Law provide for the financing of redevelopment projects through the issuance of tax allocation bonds, notes and other obligations. Such indebtedness is payable from a portion of the property taxes collected from within a project area upon the increase in taxable valuation of land, improvements, and personal and public utility property. The taxable valuation of a project area last equalized prior to the effective date of the ordinance adopting 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. With certain exceptions, 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. See "TAX REVENUES AND DEBT SERVICE" herein.

The payment of principal of and interest on the 2008 Bonds is limited to the sources of funds described herein. CRA/LA has no powers of taxation. See "SECURITY FOR THE 2008 BONDS" herein for a discussion of the limited sources of funds available for payment of principal of and interest on the 2008 Bonds. For additional information regarding the provisions of the California Constitution and the Community Redevelopment Law relating to the financing of redevelopment projects through the issuance of tax allocation bonds, see "LIMITATIONS ON TAX REVENUES" herein. For certain financial and other information relating to the Project Area, see "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA" herein. For certain risk factors relating to the 2008 Bonds that should be taken into consideration in connection with investment in the 2008 Bonds, see "BONDOWNERS' RISKS" herein. See "THE 2008 BONDS" herein for a description of the terms of the 2008 Bonds. See "FINANCIAL GUARANTY INSURANCE POLICY" herein for information concerning the Financial Guaranty Insurance Policy (the "Financial Guaranty Insurance Policy") issued by Berkshire Hathaway Assurance Corporation ("BHAC" and the "Series B Bond Insurer") insuring payment when due of the principal of and interest on the Series B Bonds maturing in the years 2012 to 2018, inclusive (the "Insured Series B Bonds").

This Official Statement speaks only as of its date and the information contained herein is subject to change. Brief descriptions of the 2008 Bonds, CRA/LA and the Project Area are included in this Official Statement, together with a summary of the Indenture. Such descriptions do not purport to be comprehensive or definitive. All references herein to the 2008 Bonds and the Indenture are qualified in their entirety by reference to the actual documents, copies of all of which are available for inspection at the principal corporate trust office of the Trustee in Los Angeles, California. Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Indenture. CRA/LA has covenanted to provide certain updated financial and other information concerning the Project Area at the time and in the manner set forth under the continuing disclosure agreement described under "CONTINUING DISCLOSURE" herein.

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SOURCES AND USES OF FUNDS

The sources and uses of funds for the 2008 Bonds are as follows:

	Series B Bonds	Series C Bonds	Total
Sources of Funds			
Total Par Amount of the Bonds	$22,580,000.00	$11,050,000.00	$33,630,000.00
Total Original Issue Premium (Discount)	610,742.45	191,192.15	801,934.60
Total Sources	$23,190,742.45	$11,241,192.15	$34,431,934.60
Uses of Funds			
Total Deposit to Redevelopment Fund [1]	$19,960,000.00	$10,000,000.00	$29,960,000.00
Deposit to Reserve Account	2,258,000.00	872,781.26	3,130,781.26
Costs of Issuance [2]	972,742.45	368,410.89	1,341,153.34
Total Uses	$23,190,742.45	$11,241,192.15	$34,431,934.60

[1] Includes money to be deposited into the Redevelopment Fund and the Housing Fund as described in the Indenture.

[2] Including but not limited to underwriter's discount, premium for the Financial Guaranty Insurance Policy insuring certain of the Series B Bonds, printing costs, rating fees, legal costs, financial advisor fees, fiscal consultant fees, and other costs associated with the issuance of the 2008 Bonds.

PLAN OF FINANCE

Proceeds of the 2008 Bonds are expected to be used to pay the costs of various redevelopment projects and activities in and for the Project Area, including, but not limited to the development of low and moderate-income housing in and of benefit to the Project Area, and Agency project administrative costs.

THE 2008 BONDS

General

The 2008 Bonds will be dated and issued in the principal amount, will bear interest at the respective rates and will mature on the date and in the amounts set forth on the inside cover page of this Official Statement. Interest on the 2008 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2008 and on each March 1 and September 1 thereafter, until maturity or prior redemption thereof. The 2008 Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of DTC, as securities depository for the 2008 Bonds. Individual purchases of the 2008 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Principal and interest are payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the 2008 Bonds, as described in APPENDIX E — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series B Bonds shall not be subject to optional redemption prior to their scheduled maturity dates.

The Series C Bonds maturing on or before September 1, 2017 shall not be subject to optional redemption prior to their scheduled maturity date. The Series C Bonds due on or after September 1, 2018 are redeemable at the option of CRA/LA in whole or in part on any date on or after September 1, 2017 from any moneys that may be provided for such purpose. The Series C Bonds so redeemed shall be redeemed at the redemption prices expressed as a percentage of the principal amount of such Series C Bonds, determined in accordance with the following table, plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
September 1, 2017 through August 31, 2018	101%
September 1, 2018 and thereafter	100%

Mandatory Sinking Fund Redemption—Series C Bonds. The Series C Bonds with stated maturity dates of September 1, 2028, September 1, 2031, September 1, 2035 and September 1, 2040 (collectively, the "Term Series C Bonds") are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium.

The Term Series C Bonds with a stated maturity date of September 1, 2028 shall be redeemed on the following dates and in the following principal amounts:

September 1 of the Year	Principal Amount
2025	$375,000
2026	395,000
2027	415,000
2028	440,000

The Term Series C Bonds with a stated maturity date of September 1, 2031 shall be redeemed on the following dates and in the following principal amounts:

September 1 of the Year	Principal Amount
2029	$460,000
2030	485,000
2031	515,000

The Term Series C Bonds with a stated maturity date of September 1, 2035 shall be redeemed on the following dates and in the following principal amounts:

September 1 of the Year	Principal Amount
2032	$540,000
2033	570,000
2034	600,000
2035	630,000

The Term Series C Bonds with a stated maturity date of September 1, 2040 shall be redeemed on the following dates and in the following principal amounts:

September 1 of the Year	Principal Amount
2036	$665,000
2037	705,000
2038	740,000
2039	780,000
2040	825,000

Selection of Bonds for Redemption. For purposes of selecting Series C Bonds for redemption, the Series C Bonds shall be deemed to be composed of $5,000 portions and any such portions may be separately redeemed. If some but not all of the Series C Bonds have been redeemed pursuant to the redemption provisions of the Indenture the total amount of all sinking account payments shall be allocated among such Sinking Account payments as determined by CRA/LA (notice of which determination shall be given by CRA/LA to the Trustee. Upon surrender of any Series C Bond redeemed in part only, subject to the requirements of DTC and the book-entry only system, CRA/LA shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of CRA/LA, a new Series C Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Series C Bond surrendered and of the same interest rate and the same maturity.

Purchase in Lieu of Redemption. In lieu of redemption of any Term Series C Bond, amounts on deposit in the Revenue Fund or in the Sinking Account therein may also be used, with the prior written consent of the Series A Bond Insurer, and withdrawn by the Trustee at any time, upon the Request of CRA/LA, for the purchase of such Term Series C Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as CRA/LA may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date. The principal amount of any Term Series C Bonds so purchased by the Trustee in any twelve month period ending 60 days prior to any Sinking Account Payment Date in any year shall be credited towards and shall reduce the principal amount of such Term Series C Bonds required to be redeemed on such Sinking Account Payment Date in such year.

Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Series C Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) to one or more Information Services designated in writing to the Trustee by CRA/LA and (iii) the Securities Depositories; provided, that with respect to Series C Bonds registered in the name of the Authority, notice of redemption shall be provided to such Owner only. Each notice of redemption shall state the date of such notice, the Series C Bonds to be redeemed, the date of issue of such Series C Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Series C Bonds of such maturity to be redeemed and, in the case of Series C Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Series C Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Series C Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series C Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to the provisions of the Indenture to anyone or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

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

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of such redemption price of the Series C Bonds so called for redemption shall have been duly provided, no interest shall accrue on such Series C Bonds from and after the redemption date specified in such notice.

SECURITY FOR THE 2008 BONDS

General

The Master Indenture defines the term "Bonds" to mean the Series A Bonds and any Additional Bonds; for purposes of such definition and the following description of the 2008 Bonds, the 2008 Bonds, the Outstanding Parity Bonds and Additional Bonds (defined herein) are collectively referred to herein as the "Bonds."

The 2008 Bonds are secured solely by Tax Revenues from the Project Area and by certain limited funds and accounts held by the Trustee under the Indenture. See "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA." The 2008 Bonds are payable from the Tax Revenues on a parity with the Outstanding Parity Bonds of the Project Area, currently outstanding in a total aggregate principal amount of $15,980,000 as of June 1, 2008.

The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a 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. With certain exceptions, 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 subject to certain limitations discussed under the caption "LIMITATIONS ON TAX REVENUES" herein. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

CRA/LA has initiated an internal examination of the feasibility of merger of several of the Agency's project areas. If the Project is eventually merged with another project area, the lien and pledge of the Tax Revenues to pay the 2008 Bonds will not be affected.

Pledge and Allocation of Taxes

Under provisions of the California Constitution, the Law and the Redevelopment Plan for the Project Area, taxes on all taxable property in the Project Area levied by any taxing agency when collected will be divided as follows:

(1) An amount each year equal to the amount which would have been produced by the then current tax rates applied to the assessed valuation of such property within the Project Area last equalized prior to the effective date of the ordinance approving the Redevelopment Plan will be paid into the funds of the respective taxing agencies; and

(2) Taxes received over and above that amount, modified by the tax increment limitations imposed pursuant to the Law, constitute Tax Revenues, which will be deposited into the special fund of CRA/LA and will be available to pay indebtedness incurred for the Project Area. See APPENDIX B— "SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURES" hereto.

The Law provides for certain mandatory and permissive deductions and payments from the Tax Revenues described in paragraph (2) above, some of which may have a lien on Tax Revenues ahead of the lien for payment of the Bonds. Those payments include (i) fees payable to the County for administering the Tax Revenue flow, and (ii) payments to affected taxing entities under the provisions of Sections 33676 and 33607.5 of the Community Redevelopment Law. See "LIMITATIONS ON TAX REVENUES" herein.

CRA/LA has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate, would have the effect of reducing the amount of Tax Revenues that would otherwise be available to pay the principal of, and interest on the Bonds. Likewise, the reduction of assessed valuations of taxable property in the applicable Project Area, any reduction in tax rates or tax collection rates and broadened property tax exemptions would have a similar effect. See "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES" herein.

Pledge of Tax Revenues

Tax Revenues. The Master Indenture provides that all the Tax Revenues of the Project Area and all money in the Revenue Fund, hereinafter established, and in the funds or accounts so specified and provided for in the Master Indenture (except the Rebate Fund), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Tax Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the Master Indenture permitting application thereof for the purposes and on the terms and conditions set forth herein. Pursuant to the Master Indenture, the pledge of Tax Revenues shall constitute a first and exclusive lien on the Tax Revenues and such other money for the payment of the Bonds in accordance with the terms thereof. The 2008 Bonds are secured by and payable from Tax Revenues as defined in the Master Indenture and certain limited moneys held in the funds and accounts under the Master Indenture on a parity with certain other indebtedness issued by CRA/LA for the Project Area.

The Master Indenture defines "Tax Revenues" to mean "for each Fiscal Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area, excluding (a) amounts, if any, required to be deposited by the Agency in the Housing Fund and used for certain housing purposes provided, however, that such amounts shall not be excluded if and to the extent that the Agency makes such amounts available as Tax Revenues, (b) amounts payable to the County as the property tax administrative fee pursuant to California Revenue and Taxation, Code Section 95.3 and (c) amounts, if any, payable pursuant to Section 33607.5 of the Law but only to the extent such amounts are not subordinated to the payment of debt service on the Bonds."

Receipt and Deposit of Tax Revenues. There is established by the Master Indenture a special fund to be known as the "Community Redevelopment Agency of the City of Los Angeles, Wilshire Center/Koreatown Recovery Redevelopment Project Tax Revenue Account of the Special Fund" (the "Revenue Fund") which shall be held by CRA/LA. Pursuant to the Master Indenture, CRA/LA shall promptly deposit all of the Tax Revenues received in any Bond Year in the Revenue Fund, until such time during such Bond Year as the amounts on deposit in the Revenue Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Debt Service Fund in such Bond Year pursuant to the Master Indenture. All Tax Revenues received by CRA/LA during any Bond Year in excess of the amount required to be deposited in the Revenue Fund during such Bond Year pursuant to the preceding sentence may be released from the pledge and lien thereunder. So long as any Bonds remain Outstanding under the Master Indenture, CRA/LA shall not have any beneficial interest in or right to the moneys on deposit in the Revenue Fund, except as may be provided in the Master Indenture.

Pursuant to the Master Indenture, there is established a special fund designated as the "Community Redevelopment Agency of the City of Los Angeles, Wilshire Center/Koreatown Recovery Redevelopment Project, Tax Allocation Bonds Debt Service Fund" (the "Debt Service Fund") which shall be held by the Trustee. On or before five (5) days preceding each Interest Payment Date, CRA/LA shall transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Fund an amount equal to the amount required to be transferred by the Trustee from the Debt Service Fund to the Interest Account, Principal Account, Sinking Account and Reserve Account pursuant to the Master Indenture; provided, that CRA/LA shall not be obligated to transfer to the Trustee in any Bond Year an amount of Tax Revenues which, together with other available amounts then in the Debt Service Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year, pursuant to the Master Indenture. There shall not be deposited with the Trustee any taxes eligible for allocation to CRA/LA for deposit in the Debt Service Fund in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Debt Service Fund and the accounts therein, shall be sufficient to discharge all Outstanding Bonds as provided in the Master Indenture.

The payment of principal of and interest on the 2008 Bonds is limited to the sources of funds described herein. See "SECURITY FOR THE 2008 BONDS" herein for a discussion of the limited sources of funds available for payment of principal of and interest on the Bonds. For additional information regarding the provisions of the California Constitution and the Law relating to the financing of redevelopment projects through the issuance of tax allocation bonds, see "LIMITATIONS ON TAX REVENUES" herein. For certain financial and other information relating to the Project Area, see "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA" herein. For certain risk factors relating to the Bonds that should be taken into consideration in connection with investment in the 2008 Bonds, see "BONDOWNERS' RISKS" herein. See "THE 2008 BONDS" herein for a description of the terms of the 2008 Bonds.

THE 2008 BONDS ARE NOT A DEBT OF THE CITY OF LOS ANGELES, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISONS OTHER THAN CRA/LA, TO THE EXTENT SET FORTH HEREIN, AND NEITHER THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE 2008 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF CRA/LA AS SET FORTH IN THE MASTER INDENTURE.

Payment of the Bonds

Moneys in the Debt Service Fund. Pursuant to the Master Indenture, all moneys in the Debt Service Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Debt Service Fund (each of which is created pursuant to the Master Indenture and each of which CRA/LA covenants and agrees to cause to be maintained with the Trustee), in the following order of priority (except as otherwise provided in subsection (2) below):

(1) Interest Account;
(2) Principal Account;
(3) Sinking Account; and
(4) Reserve Account.

All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in the Master Indenture.

Interest Account. Pursuant to the Master Indenture the Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. The Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year. In the event that there shall be insufficient money in the Debt Service Fund to make in full all such principal payments and Sinking Account Installments required to be made pursuant to the Master Indenture in such Bond Year, then, subject to the provisions of the Master Indenture described in subparagraph (4) hereof, the money available in the Debt Service

Fund shall be applied pro rata to the making of such principal payments and such Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming, due and payable on the Principal Payment Date in such Bond Year. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they shall become due and payable.

Sinking Account. Pursuant to the Master Indenture, the Trustee shall deposit in the Sinking Account an amount of money equal to the Sinking Account Installment payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account shall be used by the Trustee to redeem (or purchase) the Term Bonds in accordance with the Master Indenture.

Reserve Account. Pursuant to the Indenture, the Trustee shall set aside from the Debt Service Fund and deposit in the Reserve Account, from the proceeds of the sale of the Series B Bonds and the Series C Bonds, an amount of money (or other authorized deposit of security, as contemplated by the following paragraphs) equal to the Reserve Account Requirement for the 2008 Bonds. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts relating to the Bonds, as applicable, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds, as applicable, in the event that no other money of CRA/LA is lawfully available therefor, or for the retirement of all of the Bonds, as applicable, then Outstanding, except that for so long as CRA/LA is not in default hereunder, any amount in the Reserve Account relating to the Bonds in excess of the Reserve Account Requirement shall be transferred from the Reserve Account by the Trustee to the Debt Service Fund. Any withdrawal or any deficiency in the Reserve Account shall be replenished promptly from the Tax Revenues available in the Revenue Fund.

Surplus. If during any Bond Year (i) Tax Revenues remain in the Debt Service Fund after providing (or otherwise reserving) for all deposits required by the provisions of the Master Indenture described in paragraphs (1) through (3) above during such Bond Year, (ii) the amounts on deposit in a Reserve Account equal the Reserve Account Requirement for such Reserve Account, (iii) Qualified Reserve Instruments, if any, used to fund a Reserve Account are fully replenished and all interest on amounts advanced under such Qualified Reserve Instruments has been paid to the provider thereof and (iv) CRA/LA is not in default hereunder, then the Trustee shall transfer any amount remaining on deposit in the Debt Service Fund to CRA/LA to be used for any lawful purpose of CRA/LA.

Reserve Account

Separate subaccounts within the Reserve Account shall be established for the Series B Bonds and the Series C Bonds under the Supplemental Indentures, to be designated the "Series B Reserve Account" and the "Series C Reserve Account." Upon the issuance of the 2008 Bonds, the Agency is required to deposit into the Series B Reserve Account and the Series C Reserve Account an amount equal to the "Reserve Account Requirement", as such term is defined in the Indenture, for each such Reserve Account. The term "Reserve Account Requirement" is defined in the Master Indenture as an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of each Series of Bonds Outstanding, (ii) 125% of Average Annual Debt Service or (iii) Maximum Annual Debt Service; provided that for the purpose of such calculations, there shall be excluded an amount of Bonds or debt service thereon equal to the amount deposited in any escrow fund established pursuant to the Master Indenture. For purposes of such term and the calculation of the Reserve Account Requirement, the Series A Bonds, Series B Bonds and the Series C Bonds are each considered to be separate Series of Outstanding Bonds. As of the date of issuance of the Bonds, the Reserve Account Requirement is $2,258,000 for the Series B Bonds and $872,781.26 for the Series C Bonds.

In lieu of making the Reserve Account Requirement deposit in the Reserve Account or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of a letter of credit satisfying the requirements stated below), the Agency, with the consent of any applicable Bond Insurer, and with prior written notification to S&P and/or Moody's , if the Bonds are then rated by S&P and/or Moody's, may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having, at the time of such delivery, unsecured debt obligations rated in at least the second highest rating category (without respect to any negative modifier) of S&P and/or Moody's , in an amount, together with moneys, Authorized Investments or insurance policies (as described in the Master Indenture) on deposit in the Reserve Account, equal to the Reserve Account Requirement. In lieu of making the Reserve Account Requirement in the Reserve Account or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of an insurance policy satisfying the requirements stated below), the Agency, with the consent of any applicable Bond Insurer, and with prior written notification to S&P and/or Moody's, if the Bonds are then rated by S&P and/or Moody's, may also deliver to the Trustee an insurance policy securing an amount, together with moneys, Authorized Investments or letters of credit (as described in the Master Indenture) on deposit in the Reserve Account, no less than the Reserve Account Requirement, issued by an insurance company licensed to issue insurance policies guaranteeing the timely payment of debt service on the Bonds and whose unsecured debt obligations (or for which obligations secured by such insurance company s insurance policies), at the time of such delivery, are rated in the two highest rating categories (without respect to any negative modifier) of S&P and Moody's.

In each case, such irrevocable letter of credit or insurance policy to be deposited in a Reserve Account shall meet such further requirements relating thereto as are set forth in the Master Indenture.

If and to the extent that the Reserve Account has been funded with a combination of cash (or Authorized Investments) and a Qualified Reserve Instrument, then all such cash (or Authorized Investments) shall be completely used before any demand is made on such Qualified Reserve Instrument, and replenishment of the Qualified Reserve Instrument shall be made prior to any replenishment of any cash (or Authorized Investments). If the Reserve Account is funded, in whole or in part, with more than one Qualified Reserve Instrument, then any draws made against such Qualified Reserve Instrument shall be made pro-rata.

Outstanding Parity Bonds

The Master Indenture permits the issuance from time to time of "Additional Bonds" payable on a parity with the 2008 Bonds from the Tax Revenues of the Project Area upon satisfaction of the tests for issuance set forth therein, described under the caption "Issuance of Parity Obligations" below. The term "Parity Bonds" is defined in the Master Indenture to mean "tax allocation bonds, loans and any other indebtedness payable from all or a portion of the Tax Revenues pursuant to the terms of the Master Indenture."

Pursuant to the Master Indenture, the Agency has previously issued the Series A Bonds, which are referred to herein as the "Outstanding Parity Bonds" of the Project and are outstanding in an aggregate principal amount of $15,980,000 as of June 1, 2008. The 2008 Bonds are payable from the Tax Revenues of the Project Area on a parity with the Outstanding Parity Bonds and all are equally secured under the Master Indenture.

Pursuant to the Master Indenture, a reserve account relating to the Series A Bonds was established to secure the repayment of the Series A Bonds and any Outstanding Parity Bonds. The Master Indenture requires that such reserve account be maintained in an amount equal to the Reserve Requirement for the Series A Bonds. There is, as of June 1, 2008, $1,261,365 held in such reserve account. In the event of a shortfall in Tax Revenues resulting in the necessity to draw on available reserves for the Bonds, such reserve account would be available, to the extent of amounts held in such account, to pay principal and interest on the Bonds.

Issuance of Additional Bonds

The Master Indenture provides that the Agency may issue "Additional Bonds," defined in the Master Indenture to mean all tax allocation bonds of the Agency on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Master Indenture, authorized and executed pursuant to the Master Indenture and issued and delivered in accordance with the provisions of the Master Indenture relating thereto.

Conditions for the Issuance of Additional Bonds. The Agency may at any time issue Additional Bonds payable from Tax Revenues and secured by a lien and charge upon Tax Revenues equal to and on a parity with, the lien and charge securing the Outstanding Bonds theretofore issued under the Master Indenture, but only subject to the following specific conditions which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The Agency shall be in compliance with all covenants set forth in the Master Indenture and any supplemental indentures authorized under the Master Indenture, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a supplemental indenture duly adopted by the Agency which shall specify the purpose for which such Additional Bonds are to be issued, the terms relating to the issuance of such Additional Bonds and required or permitted to be included in the supplemental indenture relating thereto pursuant to the Master Indenture and such other terms as are necessary or appropriate and not inconsistent with the Master Indenture.

(c) The Agency shall obtain a report of an Independent Redevelopment Consultant indicating that Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the supplemental indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 150% of the Maximum Annual Debt Service on all Bonds that will be Outstanding immediately following the issuance of such Additional Bonds (the "Debt Service Coverage Ratio"); provided that such Debt Service Coverage Ratio shall be reduced to 125% if the report shows that each of the following conditions have been satisfied:

(i) the Base Year Value is not more than fifty percent (50%) of the Current Year Total Assessed Value (as such terms may be defined in the report); and

(ii) the Top 10 Total Assessed Value is not more than twenty percent (20%) of the Incremental Value (as such terms may be defined in the report).

The Master Indenture provides that, for the purposes of the issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the supplemental indenture authorizing issuance of such Additional Bonds shall provide that: (A) such proceeds shall be deposited or invested with or secured by an institution rated "AA" by S&P or "Aa" by Moody's(without regard to negative modifiers) at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (B) moneys may be transferred from said escrow fund only if Tax Revenues for the next preceding fiscal year will be at least equal to 125% of Maximum Annual Debt Service on all Outstanding Bonds less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (C) Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Pursuant to the Master Indenture, in the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. The Master Indenture provides that nothing contained therein shall limit the issuance of any tax allocation bonds of the Agency payable from Tax Revenues and secured by a lien and charge on Tax Revenues if after the issuance and delivery of such tax allocation bonds, none of the Bonds theretofore issued thereunder will be Outstanding nor shall anything contained in the Master Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Agency secured by a pledge of tax increment revenues (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the Bonds.

Procedure for the Issuance of Additional Bonds. All of the Additional Bonds shall be executed by the Agency for issuance under the Master Indenture and delivered to the Trustee and thereupon shall be delivered by the Trustee upon the Written Request of the Agency, but only upon receipt by the Trustee of the following documents or money or securities:

(1) A certified copy of the supplemental indenture authorizing the issuance of such Additional Bonds;

(2) A Written Request of the Agency as to the delivery of such Additional Bonds;

(3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds setting forth such opinions and other matters relating to the due authorization and issuance and validity of the Additional Bonds as required by the Master Indenture;

(4) A Certificate of the Agency containing such statements as may be reasonably necessary to show compliance with the requirements of the Master Indenture; and

(5) Such further documents, money and securities as are required by the provisions of the Master Indenture and the supplemental indenture providing for the issuance of such Additional Bonds.

Subordinate Debt. Pursuant to the Master Indenture, any indebtedness, of the Agency evidenced by the subordinated debt and any renewals or extensions thereof (herein called Subordinated Indebtedness), shall at all times be wholly subordinate and junior in right of payment to the Series A Bonds, the 2008 Bonds and any Additional Bonds issued under the Master Indenture (herein called " Superior Indebtedness). Following an Event of Default under the Master Indenture, no Subordinated Indebtedness shall be paid prior to any Superior Indebtedness in any fiscal year of the Agency.

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DEBT SERVICE SCHEDULE

	Series A Bonds			Series B Bonds			Series C Bonds			Aggregate
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	(All Series)
9/1/2008	$200,000.00	$ 528,340.00	$ 728,340.00	-	$248,505.38	$248,505.38		$106,615.35	$106,615.35	$1,083,460.73
3/1/2009		522,240.00	522,240.00	-	688,168.75	688,168.75		295,242.50	295,242.50	1,505,651.25
9/1/2009	215,000.00	522,240.00	737,240.00	$1,730,000.00	688,168.75	2,418,168.75		295,242.50	295,242.50	3,450,651.25
3/1/2010		515,682.50	515,682.50	-	636,268.75	636,268.75		295,242.50	295,242.50	1,447,193.75
9/1/2010	230,000.00	515,682.50	745,682.50	1,815,000.00	636,268.75	2,451,268.75		295,242.50	295,242.50	3,492,193.75
3/1/2011		508,667.50	508,667.50	-	581,818.75	581,818.75		295,242.50	295,242.50	1,385,728.75
9/1/2011	240,000.00	508,667.50	748,667.50	1,915,000.00	581,818.75	2,496,818.75		295,242.50	295,242.50	3,540,728.75
3/1/2012		501,347.50	501,347.50	-	524,368.75	524,368.75		295,242.50	295,242.50	1,320,958.75
9/1/2012	255,000.00	501,347.50	756,347.50	2,025,000.00	524,368.75	2,549,368.75		295,242.50	295,242.50	3,600,958.75
3/1/2013		493,570.00	493,570.00	-	463,618.75	463,618.75		295,242.50	295,242.50	1,252,431.25
9/1/2013	270,000.00	493,570.00	763,570.00	2,145,000.00	463,618.75	2,608,618.75		295,242.50	295,242.50	3,667,431.25
3/1/2014		485,335.00	485,335.00	-	399,268.75	399,268.75		295,242.50	295,242.50	1,179,846.25
9/1/2014	290,000.00	485,335.00	775,335.00	2,275,000.00	399,268.75	2,674,268.75		295,242.50	295,242.50	3,744,846.25
3/1/2015		476,490.00	476,490.00	-	331,018.75	331,018.75		295,242.50	295,242.50	1,102,751.25
9/1/2015	305,000.00	476,490.00	781,490.00	2,420,000.00	331,018.75	2,751,018.75		295,242.50	295,242.50	3,827,751.25
3/1/2016		467,187.50	467,187.50	-	258,418.75	258,418.75		295,242.50	295,242.50	1,020,848.75
9/1/2016	325,000.00	467,187.50	792,187.50	2,575,000.00	258,418.75	2,833,418.75		295,242.50	295,242.50	3,920,848.75
3/1/2017		457,275.00	457,275.00	-	181,168.75	181,168.75		295,242.50	295,242.50	933,686.25
9/1/2017	345,000.00	457,275.00	802,275.00	2,745,000.00	181,168.75	2,926,168.75		295,242.50	295,242.50	4,023,686.25
3/1/2018		445,717.50	445,717.50	-	95,387.50	95,387.50		295,242.50	295,242.50	836,347.50
9/1/2018	365,000.00	445,717.50	810,717.50	2,935,000.00	95,387.50	3,030,387.50		295,242.50	295,242.50	4,136,347.50
3/1/2019		433,490.00	433,490.00					295,242.50	295,242.50	728,732.50
9/1/2019	390,000.00	433,490.00	823,490.00				$280,000.00	295,242.50	575,242.50	1,398,732.50
3/1/2020		420,425.00	420,425.00				-	288,102.50	288,102.50	708,527.50
9/1/2020	420,000.00	420,425.00	840,425.00				295,000.00	288,102.50	583,102.50	1,423,527.50
3/1/2021		406,355.00	406,355.00				-	280,580.00	280,580.00	686,935.00
9/1/2021	445,000.00	406,355.00	851,355.00				310,000.00	280,580.00	590,580.00	1,441,935.00
3/1/2022		391,447.50	391,447.50				-	272,675.00	272,675.00	664,122.50
9/1/2022	475,000.00	391,447.50	866,447.50				325,000.00	272,675.00	597,675.00	1,464,122.50
3/1/2023		375,535.00	375,535.00				-	264,387.50	264,387.50	639,922.50
9/1/2023	510,000.00	375,535.00	885,535.00				340,000.00	264,387.50	604,387.50	1,489,922.50
3/1/2024		358,450.00	358,450.00				-	255,717.50	255,717.50	614,167.50
9/1/2024	540,000.00	358,450.00	898,450.00				360,000.00	255,717.50	615,717.50	1,514,167.50
3/1/2025		340,360.00	340,360.00				-	246,537.50	246,537.50	586,897.50
9/1/2025	580,000.00	340,360.00	920,360.00				375,000.00	246,537.50	621,537.50	1,541,897.50
3/1/2026		320,930.00	320,930.00				-	236,787.50	236,787.50	557,717.50
9/1/2026	615,000.00	320,930.00	935,930.00				395,000.00	236,787.50	631,787.50	1,567,717.50
3/1/2027		300,327.50	300,327.50				-	226,517.50	226,517.50	526,845.00
9/1/2027	660,000.00	300,327.50	960,327.50				415,000.00	226,517.50	641,517.50	1,601,845.00
3/1/2028		278,217.50	278,217.50				-	215,727.50	215,727.50	493,945.00
9/1/2028	700,000.00	278,217.50	978,217.50				440,000.00	215,727.50	655,727.50	1,633,945.00
3/1/2029		254,767.50	254,767.50				-	204,287.50	204,287.50	459,055.00
9/1/2029	750,000.00	254,767.50	1,004,767.50				460,000.00	204,287.50	664,287.50	1,669,055.00
3/1/2030		229,642.50	229,642.50				-	191,925.00	191,925.00	421,567.50

DEBT SERVICE SCHEDULE—Cont'd

	Series A Bonds			Series B Bonds			Series C Bonds			
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Aggregate
9/1/2030	800,000.00	229,642.50	1,029,642.50				485,000.00	191,925.00	676,925.00	1,706,567.50
3/1/2031		202,842.50	202,842.50				-	178,890.63	178,890.63	381,733.13
9/1/2031	855,000.00	202,842.50	1,057,842.50				515,000.00	178,890.63	693,890.63	1,751,733.13
3/1/2032		174,200.00	174,200.00				-	165,050.00	165,050.00	339,250.00
9/1/2032	910,000.00	174,200.00	1,084,200.00				540,000.00	165,050.00	705,050.00	1,789,250.00
3/1/2033		143,715.00	143,715.00				-	150,537.50	150,537.50	294,252.50
9/1/2033	970,000.00	143,715.00	1,113,715.00				570,000.00	150,537.50	720,537.50	1,834,252.50
3/1/2034		111,220.00	111,220.00				-	135,218.75	135,218.75	246,438.75
9/1/2034	1,035,000.00	111,220.00	1,146,220.00				600,000.00	135,218.75	735,218.75	1,881,438.75
3/1/2035		76,547.50	76,547.50				-	119,093.75	119,093.75	195,641.25
9/1/2035	1,105,000.00	76,547.50	1,181,547.50				630,000.00	119,093.75	749,093.75	1,930,641.25
3/1/2036		39,530.00	39,530.00				-	102,162.50	102,162.50	141,692.50
9/1/2036	1,180,000.00	39,530.00	1,219,530.00				665,000.00	102,162.50	767,162.50	1,986,692.50
3/1/2037							-	83,875.00	83,875.00	83,875.00
9/1/2037							705,000.00	83,875.00	788,875.00	788,875.00
3/1/2038							-	64,487.50	64,487.50	64,487.50
9/1/2038							740,000.00	64,487.50	804,487.50	804,487.50
3/1/2039							-	44,137.50	44,137.50	44,137.50
9/1/2039							780,000.00	44,137.50	824,137.50	824,137.50
3/1/2040							-	22,687.50	22,687.50	22,687.50
9/1/2040							825,000.00	22,687.50	847,687.50	847,687.50
TOTAL	$15,980,000.00	$19,280,226.11	$35,971,370.00	$22,580,000.00	$8,567,517.88	$31,147,517.88	$11,050,000.00	$14,100,721.61	$25,150,721.61	$93,346,899.49

FINANCIAL GUARANTY INSURANCE POLICY

Berkshire Hathaway Assurance Corporation ("BHAC" or the "Series B Bond Insurer") will issue, concurrently with the delivery of the 2008 Bonds, its Financial Guaranty Insurance Policy relating to the Insured Series B Bonds, agreeing unconditionally and irrevocably to pay the scheduled payment of principal of and interest on the Insured Series B Bonds when due. Series B Bonds other than the 2012-2018 Series B maturities, inclusive, are not insured by the Financial Guaranty Insurance Policy. A form of the Financial Guaranty Insurance Policy is attached hereto as APPENDIX G— "FORM OF FINANCIAL GUARANTY INSURANCE POLICY. No other 2008 Bonds, other than the Insured Series B Bonds, are insured pursuant to the Financial Guaranty Insurance Policy.

Description of the Series B Bond Insurer

The following information has been supplied by BHAC for inclusion in this Official Statement. Reference is made to APPENDIX G for the form of the Financial Guaranty Insurance Policy to be issued by the Series B Bond Insurer relating to the Insured Series B Bonds. No representation is made by Agency or the Trustee as to the accuracy or completeness of the information regarding the Series B Bond Insurer and its affiliates set forth under this heading "FINANCIAL GUARANTY INSURANCE POLICY."

The Series B Bond Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Series B Bond Insurer and its affiliates set forth under this heading. In addition, the Series B Bond Insurer makes no representation regarding the 2008 Bonds or the advisability of investing in the 2008 Bonds.

Financial Guaranty Insurance Policy

Concurrently with the issuance of the Insured Series B Bonds, Berkshire Hathaway Assurance Corporation ("BHAC") will issue its financial guaranty insurance policy for the Insured Series B Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal and interest on the Insured Series B Bonds when due as set forth in the form of Policy included as Appendix G to this Official Statement.

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

Berkshire Hathaway Assurance Corporation

BHAC is a New York stock insurance corporation that writes financial guaranty insurance. BHAC was organized on December 21, 2007, and received its New York Certificate of Authority on December 28, 2007. BHAC is licensed in New York to write financial guaranty insurance, surety insurance and credit insurance. As of April 11, 2008, BHAC was licensed to write financial guaranty insurance in 47 additional states and the District of Columbia.

BHAC's shareholders and their respective percentage of outstanding common stock are as follows: Columbia Insurance Company ("Columbia"), a Nebraska corporation – 51%, and National Indemnity Company, a Nebraska corporation – 49%. Columbia and National Indemnity Company are each indirect, wholly owned subsidiaries of Berkshire Hathaway Inc.

BHAC is subject to the insurance laws and regulations of the State of New York, BHAC's state of domicile. Pursuant to New York's financial guaranty insurance law, financial guaranty insurers are limited to writing financial guaranty insurance and related lines, including surety and credit insurance. In addition, New York's financial guaranty insurance law (i) requires such insurers to maintain a minimum surplus as regards policyholders, (ii) establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as a percentage of surplus as regards policyholders; and (iii) establishes contingency, loss and unearned premium reserve requirements. BHAC is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations vary by jurisdiction.

At March 31, 2008, BHAC had surplus as regards policyholders of slightly less than $1,000,000,000, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by the New York Department of Insurance.

Copies of BHAC's most recently published SAP Annual Statement is available upon request to: Berkshire Hathaway Assurance Corporation, 100 First Stamford Place, Stamford, CT 06902, Attention: General Counsel. BHAC's telephone number is (203) 363-5200.

BHAC's Credit Ratings

Standard & Poor's Rating Services ("S&P"), a Division of the McGraw Hill Companies, Inc., has assigned its "AAA" financial strength and financial enhancement ratings to BHAC. S&P has assigned its "AAA" financial enhancement rating to Columbia. The ratings on BHAC are based on a guaranty from Columbia in favor of BHAC. The guaranty issued by Columbia applies to BHAC's policy issued with respect to the Insured Series B Bonds. Any explanation of these ratings may only be obtained from S&P. The ratings are not a recommendation to buy, sell or hold the Insured Series B Bonds, and are subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Insured Series B Bonds.

In addition, Moody's Investors Service ("Moody's") has assigned its "Aaa" insurance financial strength ratings to BHAC and Columbia. Any explanation of these ratings may only be obtained from Moody's. The ratings are not a recommendation to buy, sell or hold the Insured Series B Bonds, and are subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Insured Series B Bonds. On April 25, 2008, the date that Moody's assigned its rating to BHAC, BHAC ultimate parent company, Berkshire Hathaway Inc., maintained an investment in Moody's parent company of approximately 19.6% of the common shares then outstanding.

BHAC does not guarantee the market price or investment value of the Insured Series B Bonds nor does it guarantee that the ratings on the Insured Series B Bonds will not be revised or withdrawn.

Neither BHAC nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Insured Series B Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to BHAC or the Policy under the heading "Financial Guaranty Insurance Policy." In addition, BHAC makes no representation regarding the Insured Series B Bonds or the advisability of investing in the Insured Series B Bonds.

LIMITATIONS ON TAX REVENUES

Article XIIIA of State Constitution

On June 6, 1978, California voters approved Proposition 13, known as the Jarvis-Gann Initiative, which added Article XIIIA to the California Constitution, limiting the amount of any ad valorem tax on real property to one percent (1%) of the full cash value, except that additional ad valorem taxes may be levied to pay debt service on June 1, 1978 and (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds of the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." This full cash value may be increased at a rate not to exceed two percent (2%) a year to account for inflation or reduced to reflect a reduction in the consumer price index comparable local data at a rate not to exceed 2% a year.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

In the general elections of 1986, 1988, 1990 and 1996, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and, on or after November 5, 1986, buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within the State.

In the October 1990 election, the voters approved additional amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article

XIIIA to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

In the March 1996 primary election, the voters approved a further amendment to Article XIIIA which extended the above-described parent-child reassessment exemption to transfers from grandparents to grandchildren under certain circumstances.

In addition, Proposition 1 was adopted by initiative in the November 1998 general election. Proposition 1 further amends Article XIIIA to allow the repair or replacement of environmentally contaminated property or structures without increasing the tax valuation of the original or replacement property. The State's Legislative Analyst estimated the passage of Proposition 1 would result in "property tax revenue losses probably less than $1 million annually in the near term to schools, counties, cities, and special districts."

The Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce Tax Revenues and, accordingly, would have an adverse impact on the ability of the Agency to pay debt service on the 2008 Bonds.

Court Challenges to Article XIIIA

On September 22, 1978, the California Supreme Court upheld Article XIIIA over challenges on several state and federal constitutional grounds (Amador Valley Joint Union High School District v. State Board of Equalization). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

The U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Proposition 13 provides that property may only be reassessed up to 2 percent per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. In reaching its decision in the West Virginia case, the Supreme Court expressly declined to comment in any way on the constitutionality of Proposition 13.

Based on the decision in the West Virginia case, property owners in the State brought three suits challenging the acquisition value assessment provisions of Article XIIIA. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIIIA's assessment rules and concluded that the West Virginia case did not apply to State laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property. However, the plaintiff in that case subsequently withdrew the matter. On June 18, 1992, the U.S. Supreme Court affirmed the State appellate court's decision in Nordlinger v. Hahn, one of the challenges to Article XIIIA relating to residential property, wherein the State appellate court had upheld the constitutionality of Article XIIIA.

The Agency cannot predict whether there will be any further challenges to the State's current system of property tax assessment or what impact any such developments might have on its revenues or on the State's financial obligations to local governments. See "BONDOWNER'S RISKS – Restored Value" herein.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs" except for certain utility property assessed by the State Board of Education ("Unitary Property") which is allocated by a different method as described under "Unitary Property" below. Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 Fiscal Year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was taxed, per Article XIIIA, at $4.00 per $100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value as defined by the County of Los Angeles Assessor (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriation Limitation - Article XIIIB

On November 6, 1979, the voters approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. Under Article XIIIB, state and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues and certain state subventions together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two-thirds of the voters.

In general terms, the "appropriations limit" is to be based on certain fiscal year 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIIIB, if the revenues of such entities in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. To the extent of any such revision in tax rates or fee schedules over the subsequent two years, Pledged Tax may be affected since tax allocations to the Agency are a product of the combination of tax rates levied by certain taxing agencies having jurisdiction within the Project Area.

Statutes of 1980, Chapter 13.2 (Senate Bill 1972), enacted by the California Legislature and effective as an urgency measure of November 30, 1980, added Section 33678 to the Redevelopment Law. Section 33678 provides that the allocation and payment of taxes to the Agency for the purpose of paying the principal of or interest on loans, advances or indebtedness incurred for redevelopment activities, as defined therein, shall not be deemed the receipt by the Agency of proceeds of taxes levied by or on behalf of the Agency within the meaning or for the purposes of Article XIIIB of the California Constitution, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purposes of Article XIIIB or any statutory provision enacted in implementation of Article XIIIB.

The California Court of Appeals, Fourth Appellate District, in Brown v. Community Agency of the City of Santa Ana, 168 Cal. App. 3d 101 (1985), and the California Court of Appeals, Second Appellate District, in Bell Community Redevelopment Agency v. Woolsey, 169 Cal.App.3d 24 (1985), have determined that the appropriation of tax increment revenues by a redevelopment agency is not subject to the limitations of Article XIIIB. The California Supreme Court denied a petition for hearing in the Brown case. No petition for review was filed in the Bell case. On the basis of these decisions, the Agency has not adopted an appropriations limit.

Unitary Property

AB 454 (Chapter 921, Statutes of 1987) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 Fiscal Year, will be allocated as follows:

(1) each jurisdiction, including the Project Area, will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

Under current law, new taxing jurisdictions, including amendments to existing tax rate areas may receive a share of Unitary Property tax revenues only after jurisdictions in existence in the 1988-89 Fiscal Year have received 102% of their prior year's allocation of such revenues. Thus, while it is not entirely clear, current law seems to provide that only if the Unitary Property tax base increases may new jurisdictions or amendments thereto receive Unitary Property tax revenue, and then each jurisdiction (including previously existing jurisdictions) will receive a percentage of any increase over 2% equal to the percentage of the total ad valorem tax levies for the secured roll that the jurisdiction received in the prior year.

The Agency cannot predict the effect of any future litigation or settlement agreements concerning these matters on the amount of tax increment revenues received or to be received by the Agency. Katz Hollis, Inc., the Agency's fiscal consultant ("Katz Hollis" or the "Fiscal Consultant") has estimated, based on figures provided by the County Auditor-Controller and the State Board of Equalization, that the Agency will receive, during fiscal year 2007-2008, an insignificant amount of unitary property tax revenues for the Project Area. See APPENDIX A — "FISCAL CONSULTANT'S REPORT" hereto for additional information.

AB 1290 Payments

AB 1290 eliminated previously-existing provisions of the Community Redevelopment Law set forth in prior Section 33401, which allowed redevelopment agencies to enter into "pass-through" agreements with affected taxing entities to make payments from tax increment as a mitigation of fiscal impact caused by the adoption or amendment of redevelopment projects. The payments that might otherwise have been made by redevelopment projects under the former law relating to "pass-through" agreements have been replaced by payments to be made in accordance with a tax increment sharing formula specified by AB 1290. The statutory payments are triggered when a project is adopted or amended to add territory after January 1, 1994 or when a redevelopment plan is amended to extend financial deadlines or to increase the amount of tax increment that may be received by the Agency. The Project Area was adopted after January 1, 1994 and, as a result, must make statutory payments to all affected taxing entities pursuant to AB 1290. An estimate of the amount due taxing entities from the Project Area per the statutory formula is included in APPENDIX A— "FISCAL CONSULTANT'S REPORT".

AB 1290 also provides for the subordination of the payments due taxing entities to debt service on redevelopment agency debt. The subordination must be requested by an agency prior to incurring the debt. Taxing entities must refuse the subordination (and state the cause for refusal) within forty-five days of the agency's request or the subordination is granted. In addition, if the taxing entity does not take any action, it is deemed approved. The City of Los Angeles has subordinated its tax-sharing payments to the payment of principal and interest on the Series A Bonds and the 2008 Bonds. The Agency intends to request subordination, with regards to the Series A Bonds and the 2008 Bonds, from the County and certain County-related taxing entities.

While the Agency expects that the AB 1290 Payments will be subordinate to the 2008 Bonds and all Outstanding Parity Bonds, the Agency did not request subordination of the AB 1290 payments to the payment of debt service on the Series A Bonds at the time of their issuance. The covenants of the Agency in the Master Indenture provide that, in the event of a shortfall in Tax Revenues available to pay debt service on the 2008 Bonds and the Outstanding Parity Bonds, the AB 1290 payments payable to the taxing entities may be applied to pay debt service on the Series B Bonds and the Series C Bonds, if the taxing entities do not agree to subordinate the AB 1290 payments to the debt service on the Series A Bonds.

Consequently, a portion of the tax increment revenues of the Project may be available to pay debt service on the 2008 Bonds, but not on the Series A Bonds. Further, it may be necessary for the Agency to request that the County pay such subordinated amounts to the Agency, as it is the County's practice to deduct the AB 1290 payments due to the taxing entities annually, prior to paying tax increment to the Agency, regardless of such payments having been subordinated by the taxing entities at the time of issuance of bonds. The Projected Debt Service Coverage table contained later in this Official Statement sets forth an estimate of debt service coverage showing the AB 1290 Payments as superior, in priority of payment, to debt service payments of the 2008 Bonds and the Outstanding Parity Bonds.

Low- and Moderate-Income Housing

Under Section 33334.2 of the Redevelopment Law, redevelopment agencies in California are generally required, unless certain annual findings are made, to set aside at least 20 percent of all tax increment allocation annually (the "Housing Tax Revenues") in a Low- and Moderate-Income Housing Fund to be used within the jurisdiction of the Agency to increase and improve the supply of low- and moderate-income housing (the "20% Set Aside Requirement"). The Project is subject to the 20% Set-Aside Requirement. A portion of the Housing Tax Revenues in the Project Area is pledged to the repayment of the 2008 Bonds because a portion of the proceeds of the 2008 Bonds will be used for low and moderate-income housing purposes to comply with the 20% Set Aside Requirement. All Tax Revenues of the Project are available to pay principal and interest on the 2008 Bonds and the Outstanding Parity Bonds.

Future Initiatives

Article XIIIA, Article XIIIB, and Proposition 87 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Agency or the Agency's ability to expend revenues. The nature and impact of these measures cannot be anticipated.

BONDOWNERS' RISKS

The following information, together with the information set forth elsewhere in this Official Statement, should be considered by prospective investors in evaluating the 2008 Bonds. However, the following presentation does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2008 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Other factors that could result in reduction of Tax Revenues received by the Agency are discussed herein under the caption "LIMITATIONS ON TAX REVENUES."

Reduction of Tax Revenues

Tax Revenues allocated to the Agency (which constitute the source of payment of principal and interest on the 2008 Bonds, as discussed herein) are determined by the amount of the incremental assessed value of property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. The Agency does not have taxing power, nor does the Agency have the power to affect the rate at which the property is taxed.

At least three types of events that are beyond the control of the Agency could occur and could cause a reduction in Tax Revenues, thereby impairing the ability of the Agency to make payments of principal, interest and premium (if any) when due on the 2008 Bonds.

First, a reduction of taxable values of property in the Project Area caused by economic factors, such as relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value or the destruction of property caused by natural disasters, civil unrest or other disasters could result in a reduction of Tax Revenues. The impact of appeals is discussed further under "Assessment Appeals" below.

Second, substantial delinquencies in the payment of property taxes by the owners of taxable property within the Project Area could impair the timely receipt by the Agency of Tax Revenues.

Third, the State electorate or Legislature could adopt further limitations with the effect of reducing the Tax Revenues. Such limitation already exists under Article XIIIA of the California Constitution, which was adopted pursuant to the initiative process. The State electorate could adopt additional similar limitations with the effect of reducing Tax Revenues. For a further description of Article XIIIA, see "LIMITATIONS ON TAX REVENUES - Article XIIIA of the State Constitution" herein.

Redevelopment Agency of the City of Sacramento vs. Malaki (Malaki Adjustment)

The Los Angeles Unified School District (the "LAUSD"), a tax-exempt entity, has acquired at least forty-six properties in the Project Area in recent years. The impact of the removal of value for the properties acquired prior to December 31, 2006 is currently reflected on the 2007-08 tax roll.

If taxable property in a redevelopment project area is converted to permanent, public (tax exempt) usage, the law (Redevelopment Agency of the City of Sacramento vs. Malaki, 216 Cal.2d 480) provides that the base year assessment roll utilized for the allocation of tax revenue to an agency maybe reduced by the assessed value of the converted property, as shown on the Base Year roll. The affected redevelopment agency must request that the base year value for the redevelopment project area be adjusted.

The Agency has requested a Malaki Adjustment for the properties acquired by the LAUSD, but has not been able to confirm that the valuation adjustment has been reflected on the tax rolls for all such properties. If granted, the adjustment would reduce the assessed valuations of such properties to the amount of the Base Year value of such properties, and current and future gross tax increment revenues will increase by the amount of tax increment attributable to such properties over such Base Year values received and to be received by the Agency annually. This adjustment to the Base Year roll has not been included in any of the tables presented in APPENDIX A— "FISCAL CONSULTANT'S REPORT."

Assessment Appeals

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

An assessee may contest either (i) the original determination of the "base assessment value" of a parcel (i.e., the value assigned after a change of ownership or completion of new construction), or (ii) the "current assessment value" (i.e., the value as determined by the County Assessor, which may be no more than the base assessment value plus the compounded 2% annual inflation factor) when specified factors have caused the market value of the parcel to drop below current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A successful appeal of the base assessment value of a parcel has significant future revenue impacts, because a reduced base year assessment will reduce the compounded future value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change in ownership occurs or additional improvements are added.

There are numerous appeals of assessed valuation which have recently been resolved and which are currently pending in the Project Area. The resolved assessment appeals have been estimated by Katz Hollis to have an impact on Project Area assessed value for 2007-08 of $2,804,000 and to generate estimated total refunds to assessees of $8,000 in the 2007-08 fiscal year. There are a large number of appeals currently pending in the Project Area, which have been estimated by Katz Hollis to have an impact in the 2007-08 fiscal year of $37,104,000, and to generate estimated total refunds to assessees of $635,000 in the 2007-08 fiscal year. The Agency cannot predict whether such pending appeals, or any future appeals, will be successful. Future reductions in taxable values in the Project Area resulting from successful appeals by property owners will reduce the amount of Tax Revenues available to pay the principal of and interest on the 2008 Bonds and the Outstanding Parity Bonds. See "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA - Assessment Appeals" and APPENDIX A— "FISCAL CONSULTANT'S REPORT."

Restored Value

Properties that have been subject to downward valuation by the county assessors as a result of natural disasters, economic downturns or other factors, have often had that value restored by the assessors (up to the pre-decline value of the property) at rates higher than 2% per annum depending on the success of repairs following a disaster or the speed of a rebound from an economic downturn. Section 51 of the California Revenue and Taxation Code sets forth procedures for the upward valuation of property in these instances.

Assumptions and Projections

To estimate the total Tax Revenues available to pay debt service on the 2008 Bonds, the Agency's Fiscal Consultant has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates, the percentage of taxes collected, and the likelihood of appeals. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" hereto for a full discussion of the assumptions underlying the projections set forth herein with respect to Tax Revenues. The Agency believes these assumptions to be reasonable, but to the extent that the payment of any revenues that constitute Tax Revenues is less than such assumptions, the total Tax Revenues available will, in all likelihood, be less than those projected herein.

Real Estate and General Economic Risks

The Agency's ability to make payments on the 2008 Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all the risks generally associated with real estate and real estate development. Projected redevelopment of real property within the Project Area by the Agency as well as private development in the Project Area, may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. There have been numerous recent reports of a general slowdown in the California real estate market. See "—Weakening of California Residential Real Estate in 2007-08" herein. The Agency cannot predict whether or for how long such a slowdown might occur or last or whether or to what extent such a general slowdown may materially adversely affect assessed values or Tax Revenues of the Project Area. In addition, natural disasters such as earthquakes and other hazards could damage or destroy property in the Project Area and surrounding area and have an adverse impact on the general economy of the Project Area and the region. See "—Risk of Earthquakes and other Disasters" herein.

Weakening of California Residential Real Estate in 2007-08

There have been numerous recent news reports of a general slowdown in the California real estate market affecting predominantly the residential real estate market, and of a general weakening of the economy at national, regional and local levels. The most recent assessed values reported in the Fiscal Consultant's Report are based on property values determined by the County for property in the Project Area as of January 1, 2007. Since that time, an erosion in residential real estate values in some areas of the County has taken place. In early 2008, the Los Angeles County Assessor-Collector (the "County Assessor's Office" and the "Assessor") reported that, while the declines in Los Angeles County have not been as dramatic as those in other parts of the State, property values have dropped in some areas of Los Angeles County. The County Assessor's Office has initiated a review and revaluation of assessed values of some residential real property in the City that sold during the 2004-2007 time period. See "TAX REVENUES AND DEBT SERVICE—Property Tax Collection Procedures" herein. Further erosion in residential real estate values in the

County and a spreading effect to other segments of the real estate economy, such as commercial and industrial properties, has been forecast by economists studying the regional real estate markets.

The California real estate market has, in the past, suffered a number of real estate cycles in which real property values in the County experienced significant reductions and real estate values remained depressed for a number of years at a time. The depressed real estate cycles also had a significant deleterious impact on the overall economy of the region.

The Agency cannot predict the impact or duration of a weakening economy on the property values in the Project Area, but a persistent weak economy could have a prolonged negative effect on overall real estate valuations in the Project Area. An extensive downturn in the economy would likely result in significantly lowered real estate valuations, increased delinquencies in property tax collections, lessened development of property in the Project Area and a reduction in redevelopment opportunities for the Agency in the Project Area.

Reduction in Inflationary Rate

Article XIIIA of the California Constitution provides that the full cash value basis 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. The measure is computed on a calendar year basis. See "LIMITATIONS ON TAX REVENUES - Article XIIIA of the State Constitution." The Agency has projected Tax Revenues to be received by it based, among other things, upon such 2% inflationary increases. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" hereto for a full discussion of the assumptions underlying the projections set forth herein with respect to Tax Revenues. Should the assessed valuation of taxable property in the Project Area not increase at the allowed annual rate of 2%, the Agency's receipt of future Tax Revenues and thereby Tax Revenues available for payment of the 2008 Bonds may be adversely affected.

State Budget

On May 15, 2008, the May Revision to the Governor's Proposed Budget issued in January 2008 (the "May Revision") was issued, disclosing that the finances of the State have worsened. As of the May Revision, the State faces a budget shortfall of $15 billion, after accounting for the $7 billion in budget proposals adopted by the State Legislature as part of a special session. The Governor and the State Legislature are currently reviewing a variety of measures intended to raise State revenues and reduce State expenditures.

In connection with its approval of budgets for prior fiscal years, including State Fiscal Years 1993-1995 and 2003-2006, inclusive, the State Legislature adopted as urgency legislation measures which required redevelopment agencies to pay into an Educational Revenue Augmentation Fund ("ERAF") a portion of the tax allocation revenues received by them for the then-current fiscal year and a number of upcoming years. In that connection, funds from redevelopment agencies were reallocated to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in ERAF. The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

Pursuant to such prior legislation, the Agency's contribution to ERAF for State Fiscal Year 2003 was $2,109,398, for State Fiscal Year 2004 was $3,950,253, for State Fiscal Year 2005 was $8,347,628, and for State Fiscal Year 2006, was $8,861,317. The Agency elected to allocate the ERAF amount among its project areas from available tax increment or other sources of revenue, although some project areas were not allocated a contribution amount for some fiscal years, and the amount allocated to each project area was not proportionate.

In response to such ERAF legislation, on November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. However, Proposition 1A's restrictions do not apply to redevelopment agencies, and consequently, tax increment of redevelopment agencies could be made subject to future legislation, such as the ERAF legislation enacted in prior years.

Information about the State budget and State spending is regularly available at various State-maintained Internet sites. Text of the State budget may be found at the Internet site of the Department of Finance, www.dof.ca.gov, under the heading "California Budget."

An impartial analysis of the State budget is posted by the Office of the Legislative Analyst, a nonpartisan office within the State Legislature which provides fiscal and policy information and advice to the Legislature, at www.lao.ca.gov. In her "Overview of the 2008-09 May Revision" issued on May 19, 2008, Elizabeth G. Hill, the Legislative Analyst, has recommended that the Legislature adopt legislative modifications to the AB 1290 payments made by redevelopment agencies, intended to transfer redevelopment agency revenues to, or for the benefit of, the State.

The Agency cannot predict whether the State Legislature will enact legislation requiring deposits into ERAF, or other legislation adversely affecting the Tax Revenues of the Project Area in future years. There can be no assurances that the State will not continue to experience budget gaps or that further ERAF shifts or other transfers of Agency revenues adversely affecting the Tax Revenues of the Project Area will not be required by State legislative enactments in the future.

Information on the Internet sites maintained by the State and the Office of the Legislative Analyst has not been reviewed or verified by the Agency and is not incorporated by reference in this Official Statement.

Future Legislation

From time to time legislation has been introduced before the State Legislature, which, if enacted, could adversely impact redevelopment agencies and their ability to collect tax increment revenues on issued bonds. Although under the California Constitution such legislative enactments cannot adversely impact existing debt obligations, such proposals, if enacted, could adversely affect the tax revenues received by redevelopment agencies. The Agency cannot predict whether any such proposals or any other legislation will be enacted that could adversely impact the ability of redevelopment agencies to collect tax increment revenues.

Hazardous Substances

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

Certain 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.

Risk of Earthquake and Other Disasters

The State is subject to periodic earthquake activity. The Northridge Earthquake that occurred on January 17, 1994 caused significant damage to certain parts of the City. The United States Geological Service, in a study published in 2003, predicted that a major earthquake would occur in the Southern California area within the next 30 years. A major earthquake could be expected to cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the 2008 Bonds and Outstanding Parity Bonds of the Project Area, thereby impairing the ability of the Agency to make payments of principal of and/or interest on the 2008 Bonds and Outstanding Parity Bonds when due. It is also likely that there would be a significant negative effect on the economy of the area and significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values. See "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA" herein.

On September 11, 2001, terrorist attacks occurred in New York City and Washington, D.C. and resulted in significant damage and casualties in those cities. If similar occurrences or other disasters take place in the future in the Los Angeles area, such events could adversely impact the property in or values of the Project Area and, in turn, could adversely impact the Tax Revenues available to pay principal of and/or interest on the 2008 Bonds.

Secondary Market Risk

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. Adverse changes to the ratings of the Bonds may adversely affect the price at which such Bonds may be traded in the secondary market. See "RATINGS" and "THE FINANCIAL GUARANTY INSURANCE POLICY" herein regarding the BHAC-insured ratings on the Insured Series B Bonds. In addition, due to 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 2008 Bonds for which a market is being made will depend upon the then prevailing circumstances. Such marketing practices may not be initiated by the underwriters of the 2008 Bonds in connection with the initial purchase of the 2008 Bonds and may be discontinued at any time. Under such circumstances, prices of 2008 Bonds could be substantially different from the original purchase price.

CRA/LA

CRA/LA is a public body, corporate and politic, organized and existing under and pursuant to the Constitution and the Law. The Agency was activated in 1948 by the City Council. The City encompasses 469 square miles and is the second largest city by population in the United States. The mission of CRA/LA is to serve as the prime entity responsible for devising and implementing geographically based action strategies that serve to check and reverse deterioration in Los Angeles' most troubled urban neighborhoods. CRA/LA will direct governmental and private sector investment, as necessary, to implement these strategies and will undertake the necessary steps required to engender new investment and growth in these areas.

CRA/LA is charged with the responsibility of eliminating blight through the process of redevelopment. All powers of the Agency are vested in its seven commissioners, although the City Council retains certain approval authority over the Agency. CRA/LA exercises governmental functions in carrying out projects and has sufficient broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend the proceeds, subject, however, to certain limitations set forth in the redevelopment plans for each Project Area. Existing legislation permits the Agency to clear buildings and other improvements to develop as a building site any real property that it owns or has acquired, and to construct capital, infrastructure and improvements. Redevelopment is carried out pursuant to the 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 provisions of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interests 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 and operated, to the extent that such improvements are of benefit to a project area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan for such project area, and may specify a period within which such redevelopment must begin and be completed. Funds to perform redevelopment activities come from several sources, which include property tax increment, bond proceeds, grants and other revenues.

Currently, CRA/LA administers 34 redevelopment projects, of which 32 are currently active, and one revitalization project. The 34 existing redevelopment projects cover over 22,000 acres of land located throughout the City. None of the tax increment revenues generated by the other 33 redevelopment projects is pledged to pay debt service on the 2008 Bonds. For additional information on CRA/LA, see CRA/LA's website at www.crala.org.

Personnel

CRA/LA is governed by a board of seven Commissioners appointed to staggered four-year terms by the Mayor and confirmed by the City Council. The present Commissioners of CRA/LA, the dates of expiration of their terms of office and their current principal occupations are as follows:

Commissioner	Term Expires*	Occupation
William H. Jackson, Chairman	November 4, 2008	Real estate attorney
Bruce D. Ackerman, Vice-Chairman	November 4, 2006	Nonprofit CAO
Joan Ling, Treasurer	November 4, 2007	CEO, real estate company
[Vacancy]	November 4, 2008	
Madeline Janis	November 4, 2006	Attorney; nonprofit CEO
Alejandro Ortiz	November 4, 2009	Architect
Dave Sickler	November 4, 2011	Executive Director, Human Resources Department

* Commissioners whose terms expire continue to serve until replaced or reappointed.

Operations of CRA/LA are conducted under the direction of the Chief Executive Officer assisted by a staff of approximately 270 employees. Principal management and staff employees of CRA/LA and with respect to the Project Areas are as follows:

Cecilia V. Estolano. Chief Executive Officer of CRA/LA since May 2006. Real estate and land use attorney, of counsel to Gibson Dunn & Crutcher (2 years); Special Assistant Attorney, Los Angeles for real estate and economic development (3 years); Real estate and land use attorney, private practice (3 years).

Glenn F. Wasserman. Chief Operating Officer of CRA/LA since September 2006. Redevelopment and municipal law attorney, Kane, Ballmer & Berkman (24 years).

Brence Culp. Chief Financial Officer of CRA/LA since September 2006. Office of the Chief Legislative Analyst, City of Los Angeles (6 months); Office of Los Angeles County Supervisor Zev Yaroslavsky (5 years); Office of Los Angeles City Councilman Michael Feuer (2 years); corporate tax and real estate law attorney, Gibson, Dunn and Crutcher (2 years).

Donald R. Spivack. Deputy Chief of Operations and Policy of the Agency since October 2004. Acting Chief Operating Officer of the Agency (3 months); Deputy Administrator (Community Operations I) of the Agency (4 years); Deputy Administrator (Community Development) of the Agency (4 years); Director of Operations of the Agency (8 years); Senior Project Manager (Central Business District) of the Agency (4 ½ years); Transportation Manager of the Agency (8 months); Chief of Community Planning of Montgomery County, Maryland Planning Department, the Maryland-National Capital Park and Planning Commission ("MNCPPC") (9 ½ years); Transportation Coordinator, MNCPPC (1 year); Director of Physical Planning of Southeastern Michigan Transportation Authority (2 years); Assistant Professor, Architecture and Planning, Ohio University (Athens, Ohio) (3 years).

Raymond L. Fors. Finance Director of CRA/LA since May 1988; Finance Officer of CRA/LA (3 years); Public Finance Consultant and Investment Banker (9 years); various positions in the Trust and Operations Research departments of Security Pacific National Bank (7 years).

Leslie Lambert. Regional Administrator (Hollywood and Central Region) of the Agency since August 2007. Acting Regional Administrator (Hollywood & Central) of the Agency (1 ½ years); Regional Administrator (West Valley Region) of the Agency (2 years); Project Manager (Reseda/Canoga Park) of the Agency (9 years); Housing Manager for Policy and Development of the Agency (5 years); Housing Manager/Administrator, Pasadena Community Development Commission (5 years); Housing Manager, California Department of Housing and Community Development (6 years).

CRA/LA also contracts for professional services covering such areas as marketing, planning, law, economics, finance, engineering, and architecture.

Other Projects

The following table provides a brief comparative description of CRA/LA's 32 active redevelopment projects and the 2 inactive redevelopment projects, except for the Project Area, which is described in greater detail elsewhere in this Official Statement:

AGENCY PROJECTS

Redevelopment Project	Date Created	Size (Acres)	Base Year Assessed Value (1)	FY08 Assessed Value	FY08 Incremental Taxable Value
Adams-Normandie (2)	5/79	404	$ 42,441,528	(2)	N/A
Adelante Eastside	3/99	2,164	1,194,256,788	$2,109,615,284	$ 915,358,496
Beacon Street	4/69	60	6,763,528	135,998,133	129,234,605
Broadway/Manchester	12/94	189	78,897,280	136,134,125	57,236,845
Bunker Hill	3/59	133	20,353,759	2,989,778,207	2,969,424,448
Central Business District (2)(3)	7/75	1,549	1,402,237,616	(2)	N/A
Central Industrial	11/02	738	796,286,059	1,304,820,949	508,534,890
Chinatown	1/80	303	109,237,360	678,605,152	569,367,792
City Center (4)	5/02	880	2,163,716,363	4,436,158,015	2,272,441,652
Council District 9 Corridors	12/95	2,817	1,678,584,138	2,903,595,476	1,225,011,338
Crenshaw (5)	5/84	204	106,211,545	374,486,488	268,274,943
Crenshaw/Slauson	10/95	262	125,153,766	256,091,085	130,937,319
East Hollywood/Beverly-Normandie	12/94	464	770,982,838	1,545,137,846	774,155,008
Exposition/University Park (6)(7)	1/66	573	92,618,818	486,185,473	393,566,655
Hollywood	5/86	1,107	1,217,812,439	4,234,880,176	3,017,067,737
Laurel Canyon	12/94	248	228,109,639	467,830,073	239,720,434
Little Tokyo	2/70	67	29,596,759	426,548,445	396,951,686
Los Angeles Harbor	7/74	232	9,803,244	173,489,402	163,686,158
Mid-City	5/96	725	440,683,174	835,399,838	394,716,664
Monterey Hills	7/71	211	1,173,740	386,385,249	385,211,509
Normandie 5	10/69	210	24,798,740	264,552,823	239,754,083
North Hollywood	2/79	740	164,396,710	1,600,750,654	1,436,353,944
Pacific Corridor	5/02	673	472,606,062	826,478,570	353,872,508
Pacoima/Panorama City	11/94	2,914	2,370,167,823	4,403,104,771	2,032,936,948
Pico Union 1	2/70	155	34,680,989	200,356,637	165,675,648
Pico Union 2	11/76	227	52,047,000	375,290,593	323,243,593
Reseda/Canoga Park	12/94	2,400	1,937,984,101	4,308,709,205	2,370,725,104
Rodeo/La Cienega	5/82	24	2,016,285	68,697,858	66,681,573
Vermont/Manchester	5/96	163	80,874,665	162,501,327	81,626,662
Watts	12/68	107	8,002,685	42,177,177	34,174,492
Watts Corridors	11/95	245	46,218,304	134,492,282	88,273,978
Western/Slauson	5/96	377	187,033,704	337,265,327	150,231,623
Westlake	5/99	638	705,133,413	1,389,467,948	684,334,535

(1) As reported by the County. Upon passage of AB454, the County implemented the measure by reducing the base year assessed values of all redevelopment projects by the amount of unitary values existing in the base. (See Taxes in the Fiscal Consultant Report in APPENDIX A— "FISCAL CONSULTANT'S REPORT.")

(2) Project has reached its cap for its receipt of tax increment revenue

(3) In accordance with a stipulated judgment filed in 1977, seven buildings within the Central Business District are not included in the calculation of the Agency's tax increment revenues. The value as shown and resulting tax revenues are therefore adjusted to reflect such Agreement. The stipulated judgment also limits annual Agency Tax Increment as to those seven buildings to $75 million.

(4) No tax increment is collected due to litigation pertaining to validity of project area.

(5) Project was expanded in 1994.

(6) Project was expanded in 1983 and in 1989.

(7) Project Area was formerly known as Hoover.

Powers

CRA/LA is charged with the responsibility of eliminating blight through the process of redevelopment. All powers of the Agency are vested in its seven commissioners. CRA/LA exercises governmental functions in carrying out projects and has sufficient broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend the proceeds, subject, however, to certain limitations set forth in the redevelopment plans for each Project Area.

Existing legislation permits the Agency to clear buildings and other improvements to develop as a building site any real property that it owns or has acquired, and to construct capital, infrastructure and improvements.

Redevelopment is carried out pursuant to the Law, a portion of the Health and Safety Code of the State of California, 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 provisions of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interests of the general welfare, including recreational and other facilities incidental or appurtenant to them.

CRA/LA 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 and operated, to the extent that such improvements are of benefit to a project area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan for such Project Area, and may specify a period within which such redevelopment must begin and be completed.

Factors Affecting Redevelopment Agencies Generally

Other features of State law which bear on redevelopment agencies include general provisions which require public agencies to let contracts for construction only after competitive bidding. The Law provides that construction in excess of $5,000 undertaken by a redevelopment agency shall be done only after competitive bidding. State statutes also provide for offenses punishable as felonies which involve direct or indirect interest of a public official in a contract made by such official in his or her official capacity. In addition, the Law prohibits a redevelopment agency or city official or employee who, in the course of his or her duties, is required to participate in the formulation or approval of plans or policies, from acquiring any interest in property in a redevelopment project.

The State also has strict laws regarding public meetings (known as the Ralph M. Brown Act) which require all redevelopment agency and city meetings to be open to the public, with certain exceptions not applicable here.

Article XIIIA of the California Constitution provides that full cash value of property used in determining taxable valuation may reflect from year to year the inflationary rate, not to exceed two percent for any given year, or such lesser amount as shown in the consumer price index. Such rate is computed on an April 1 year end.

TAX REVENUES AND DEBT SERVICE

Tax Allocation Financing

The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a 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. With certain exceptions, 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. Accordingly, any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate, would have the effect of reducing the amount of tax increment, a portion of which would otherwise be used to pay the principal of, and interest on, the 2008 Bonds. Likewise, the reduction of assessed valuations of taxable property in the Project Area would have a similar effect. See "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES" herein.

Property Tax Collection Procedures

In California, property that is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Any property tax levied by the County on secured property becomes a lien on that property. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the personal property, but may become a lien on certain real property owned by the owner of the personal property located within the County.

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

A ten percent (10%) percent penalty is added to delinquent taxes that have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State 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 one and one-half percent (1.5%) per month to the time of redemption. If taxes are unpaid for a period of five (5) years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent (10%) penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of one and one-half percent (1.5%) per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property, including property assessed by the State, is determined as of January 1 each year and equal installments of taxes levied upon secured property are due on the following November 1 and February 1 and become delinquent on the following December 10 and April 10. Taxes on unsecured property are due November 1 and become delinquent August 31, and such taxes are levied at the prior year's secured tax rate.

Legislation enacted in 1983 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property upon the occurrence of a change of ownership or completion of new construction. Previously, State law enabled the assessment of such changes only as of the next March 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to fourteen (14) months.

Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. To the extent property becomes owned by public, religious or other tax-exempt entities, Tax Revenues may decrease.

In 2007, the Los Angeles Unified School District filed a lawsuit against the County and various redevelopment agencies in the County, including the Agency, alleging that the County Auditor-Controller and local redevelopment agencies improperly allocate to cities, counties, and special districts an illegally inflated share of local property tax revenue. This lawsuit involves the method the County uses to calculate statutory tax sharing payments. CRA/LA does not believe that allegations in this suit have any bearing on the projections of Tax Revenues because the allegations relate to how the statutory tax sharing payments are divided among the various taxing entities, not the total calculation of such payments. The lawsuit is in the early stages of litigation and CRA/LA cannot provide any assurances as to the outcome.

Los Angeles County Assessor's Revaluation of Residential Properties in 2008

California law permits property owners to seek a temporary reduction in assessed value when a property suffers a "decline-in-value." A decline-in-value can result in the current market value of property being less than the assessed value as of January 1. Typically, an application by the property owner (an "assessment appeal") is required to initiate a review of a property's value by the Assessor. However, in 2008 the Los Angeles County Assessor's Office (the "County Assessor's Office" and the "Assessor") announced that it will be proactive in reviewing the assessed valuation of those single-family homes and condominiums in the County that were purchased between July 1, 2004 and June 30, 2007, when purchase prices for residential properties in the County were at their peak. The County Assessor's Office stated that it will look at sales of comparable properties that sold near the lien date, January 1, 2008. If the market value of a reviewed property is less than the value determined by applying an inflationary adjustment (up to 2 percent) to the assessed value indicated on the 2007-08 tax bill, the assessed value will be reduced accordingly on the County's 2008-09 tax rolls. An assessment appeal by the property owner will not be necessary.

The County Assessor's Office subsequently stated that it was reviewing approximately 318,000 residential properties as part of the review. (There are approximately 1.8 million residential properties in the County which are assessed annually and included on the County secured tax rolls.) Thus far, the County Assessor's Office has reviewed over 67,000 properties with 41,000 being reduced an average of $66,000, which will result in a property tax savings of approximately $660 for each affected property owner. The Report of the Fiscal Consultant indicates that 12.80% of the Project's 2007-08 assessed value is the value of single unit sales housing ("SUSH"), a category comprised of single-family housing and residential condominiums. There are 1,524 such assessments in the category. The Fiscal Consultant has determined that 836 of these assessments changed ownership during the period between July 1, 2004 and December 31, 2006. Should these properties receive valuation adjustments consistent with the findings of the Assessor's initial review of residential properties described above, 557 properties would be assigned 2008-09 values that are $66,000 lower than their 2007-08 value – a total reduction of $36,784,000 in assessed value. The owners of these properties would receive combined tax savings of approximately $367,840 -- an amount equal to 2.08% of the Project's estimated 2007-08 total tax revenues.

The Agency's expectation is that the Assessor's review process and any future residential property sales at prices which result in lowered valuations will be offset by the assessed valuation of new construction and valuations on the supplemental roll coming onto the assessment roll in the next year relating to construction activity currently taking place in the Project Area, such that there would be no adverse effect on the Tax Revenues collected within the Project Area available to pay principal and interest on the 2008 Bonds.

The reductions in assessed value granted pursuant to the Assessor's review are temporary and the Assessor would likely review these same properties for increases in assessed valuation, if and when the local real estate economy strengthens and assessed valuations rise. In such circumstances, California law permits assessed valuations to be increased to the assessed valuation previously shown on the assessment roll at the time of the reduction, plus two percent *per annum* for each fiscal year since the reduction, not to exceed the fair market value of the property at the time of the increase.

The Agency cannot predict the extent or duration of the decline in residential real estate values or whether other categories of real property will experience a decline in values. The Assessor could undertake additional reviews of assessed valuations affecting the Project Area if, in his view, circumstances so warranted. In addition, increased numbers of property owners could appeal the assessed valuations of their property. See "WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT—Assessment Appeals and "BONDOWNERS' RISKS— Weakening of California Residential Real Estate in 2007-08" herein.

Property Tax Administrative Costs

In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions that are subject to such charges. For the 2007-08 fiscal year, Katz Hollis, CRA/LA's Fiscal Consultant, has estimated the property tax administrative charge to the Project Area to be approximately $381,000. The estimates of Tax Revenues of the Project Area set forth herein and in Appendix A assume property tax administrative charges equal to 2.024% of Project tax revenues in future years. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" for details of such charges paid by the Agency to the County with respect to the Project Area.

Filing of Statement of Indebtedness

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

Section 33675 also provides that payments of tax increment revenues from the County Auditor to CRA/LA may not exceed the amounts shown on CRA/LA's statement of indebtedness. Section 33675 further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the Agency, but that the County Auditor may dispute the amount of indebtedness shown on the statement in certain cases, and the disputed amount may be withheld from the allocation and payment to the Agency. Provision is made for time limits under which the dispute can be made by the County Auditor as well as provisions for determination by the California Supreme Court in a declaratory relief action of the property disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness and not the validity for any contract or debt instrument, or any expenditures pursuant thereto. Payments to a trustee under a bond resolution or indenture or payments to a public agency in connection with payments by such public agency pursuant to a bond issue may not be disputed in any action under Section 33675.

Agency Financial Statements

CRA/LA accounts for its financial transactions through funds representing the Project Area. CRA/LA's Combined Financial Statement and Schedules for the Fiscal Year ended June 30, 2007 were prepared by Agency staff and audited by the certified public accounting firm of Simpson & Simpson. Excerpts from CRA/LA's Combined Financial Statement and Schedule with Report on Audit by Independent Certified Public Accountants are attached hereto as APPENDIX D. Copies of CRA/LA's audited financial statements can be obtained on the CRA/LA website on the Internet at www.crala.org. Such information is not incorporated herein by reference. Neither CRA/LA's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to CRA/LA's Combined Financial Statements or any of the estimates or projections contained elsewhere herein, nor have they expressed any opinion or any other form of assurance on such prospective financial information or its achievability, and assume no responsibility for, and disclaim any association with, all such prospective financial information. Readers of this Official Statement are cautioned against undue reliance upon the estimates of financial performance contained herein. Such prospective financial information is not fact and CRA/LA makes no representation or warranty that these estimates and projections will be realized.

Agency Investment Policy

The proceeds of the 2008 Bonds and other moneys required to be deposited by CRA/LA in the funds and accounts established under the Master Indenture will be held and invested by CRA/LA and the Trustee in Permitted Investments, as defined in the Indenture.

CRA/LA's surplus funds and investment portfolio are invested in accordance with an adopted investment policy developed by CRA/LA in accordance with the provisions of State law. The fundamental considerations in making Agency investments are safety (i.e., preservation of invested capital), liquidity and yield. The investment portfolio is structured, taking into consideration diversification and risk limitations, prudent investment principles and cash flow requirements. The investment portfolio is rated "AAA/V-1+" by Fitch Ratings. Credit ratings reflect the views of the rating agency and any explanation of the significance of the ratings should be obtained directly from such rating agency.

CRA/LA does not invest in leveraged products, structured notes or inverse floating rate notes or engage in borrowing to acquire securities.

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THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA

Following is a discussion of certain characteristics and data regarding the Project Area. Unless noted otherwise, the source of this information is CRA/LA. Certain information has been prepared by CRA/LA's Fiscal Consultant, Katz Hollis and is believed to be reliable, subject to the disclaimers noted in the Fiscal Consultant's Report. The complete Report prepared by Katz Hollis is attached hereto as APPENDIX A. This report projects Net Estimated Revenues for the Project Area based on the assumptions and qualifications described therein.

General Description

The Redevelopment Plan for the Wilshire Center/Koreatown Recovery Redevelopment Project Area (the "Redevelopment Plan" and the "Project Area") was adopted on December 13, 1995. The Wilshire Center/Koreatown Redevelopment Project Area is situated roughly one and one-half miles west of downtown Los Angeles. It encompasses 1,207 acres and is generally bounded by Fifth Street on the north, 12th Street on the south, Hoover Street on the east, and Wilton Place on the west. It also includes the Vermont Avenue Corridor to the Hollywood Freeway and Western Avenue to Melrose Avenue. The project is included in the CRA/LA Hollywood & Central Region.

The Project Area was formed in response to the civil unrest that occurred in the City in April 1992. At the time of adoption, the Wilshire Center/Koreatown Redevelopment Project Area contained severe conditions of physical and economic distress. There was physical deterioration of buildings and parcels, economic stagnation evidenced by depreciated or stagnant property values, impaired investments, abnormally high business vacancies, and abnormally low lease rates, residential overcrowding, and high levels of crime. The civil disturbances of April 1992 caused damage to 59 properties in the Project Area, approximately half of which suffered more than 50% damage. Approximately 95% of the structures in the Project Area were in need of some measure of rehabilitation.

The Wilshire Center/Koreatown community is home to large Korean and Hispanic immigrant populations as well as many government offices and labor union headquarters. In the last five years, the area has attracted significant foreign investment. In recent years, the area has experienced extreme overcrowding of historically moderately-priced apartments, increasing residential and commercial rents driven up by market pressure, a lack of open space, increasing traffic congestion, and public infrastructure that has not kept pace with the community's increased density.

Development in the Project Area

Set forth below is a description of certain projects currently being undertaken by the Agency in the Project Area.

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Agency Projects

Agency Project	Status
1. *Alexandria House*. 510 S. Alexandria Ave.* Rehabilitation of blighted 16-unit apartment building for affordable permanent supportive housing.	Non-profit developer. Agency loan and bond assistance. Agency loan of $2.725 million disbursed in March 2008. Rehab to be completed by late 2009.
2. *The Ardmore Apartments. 959 S. Ardmore Ave.* New construction of 48 units of large-family affordable housing.	Agency loan of $1.6 million disbursed in February 2008. Construction to be completed by mid-late 2009.
3. *Hobart Heights. 924 S. Hobart Blvd.* New construction of 49 units of affordable housing.	Agency loan of $1.225 million disbursed in spring 2007. Construction to be completed by late 2008/early 2009.
4. *Wilton Place Park. 1015 S. Wilton Place.* Agency acquisition of vacant lot for development of pocket park.	Just west of the Wilshire Center/Koreatown Project Area. Agency acquired lot in early 2008. Currently seeking a landscape architect to complete conceptual design drawings. Construction to be completed by early 2010.
5. *Ambassador / Robert F. Kennedy Park -- Wilshire Blvd. between Mariposa Ave. and Catalina St.* Construction of a park and public green space.	Agency assistance with open space funds to Los Angeles Unified School District (LAUSD), the property-owner.* Tri-party Memorandum of Understanding between the Agency, LAUSD, and City Recreation & Parks Department executed. Construction to be completed by late 2009.
6. *6th Street Commercial Facades. 6th St. between St. Andrews Pl. and Hobart Blvd.* Grant program for commercial property owners for façade and exterior improvements.	Agency-funded project. Construction documents are being prepared.

Source: Agency

* All or a portion of the real property associated with such project is exempt from property taxation.

Certain of the foregoing development projects are owned and operated by tax-exempt entities and consequently, no additional Tax Revenues are expected to be payable in connection with such developments.

Recently there has been significant capital investment within and immediately surrounding the Redevelopment Project Area, as illustrated by the following table. The ultimate configuration, value, and completion dates of the projects listed below are subject to change and subject to construction and other risks. See "BONDOWNERS' RISKS— Real Estate and General Economic Risk."

Development Activity

Activity	Agency / Status	Investment Value (not AV)
1. *Solair. 3785 Wilshire Blvd.* 22-story mixed-used: 186 luxury condos, 2-story retail, 4-story parking.	For profit developer. Under construction. Construction expected to be complete in late 2008.	Approximately $160 million
2. *Courtyard Madang. 615 S. Western Ave.* 4-story; 100,000 SF retail center.	For profit developer. Under construction. Construction expected to be complete in late 2008.	Approximately $40 million
3. *City Center on 6th. 160,000 SF retail shopping mall.*	For profit developer. Construction expected to be complete in summer 2008.	Approximately $20 million
4. *Emhurst International Hotel & Resort. 694 S. Hobart & 699 S. Harvard.* 242-room hotel & 102,000 SF retail.	For profit developer. Under construction. Construction expected to be complete in late 2009.	Approximately $150 million
5. *Summit on 6th. 3223 W. 6th St.* 11-story, 82-unit residential condo.	For profit developer. Under construction. Construction expected to be complete in late 2008.	Approximately $50 million
6. *Wilshire Vermont Station. 3191 Wilshire Blvd.* 449 apartment units (including 89 affordable units), approximately 30,000 SF of ground-floor retail.	For profit developer. Construction completed in late 2007.	Approximately $318 million
7. *Gardens at Wilshire. 3675 Wilshire Blvd.* 159 apartments units & 7,500 SF retail.	For profit developer. Construction to be complete in summer 2008.	Approximately $90 million
8. *Olympic Palace Tower. 3429 W. Olympic Blvd.* 25 luxury condos.	For profit developer. Construction to be complete in late 2008.	Approximately $15 million
9. *Serrano Palace Tower. 702 S. Serrano Ave.* 33 luxury condos.	For profit developer. Construction completed in late 2007.	Approximately $20 million.
10. *Versailles. 918 S. Oxford Ave.* 225 luxury apartment units.	For profit developer. Construction to be complete in mid-late 2008.	Approximately $100 million.

Source: Agency

Agency Project Work Program and Budget

The Agency's budget for the Project Area for fiscal year 2007-08 is approximately $52,000,000. The Agency has included a number of residential and commercial rehabilitation and revitalization projects in its fiscal year 2007-08 work program for the Project Area, including the following projects: (i) commitment of funding to two more affordable and/or supportive housing projects; (ii) provision of Agency assistance for the development of mixed-use, transit-oriented developments that provide affordable and workforce housing as well as open space and amenities that improve the quality of life in the community; (iii) assistance in the creation of business improvement districts along key commercial corridors to leverage private sector investment in community improvement; (iv) development of stronger links between workforce centers on Wilshire Boulevard and redevelopment efforts to improve the community's access to living wage jobs within the area.

Redevelopment Plan Restrictions and Limitations

The Redevelopment Plan for the Project Area provides that the Plan will remain in effect until December 13, 2026. However, the Plan provides that indebtedness of the Project Area must be incurred not later than December 13, 2015. The maximum amount of indebtedness of the Project which may be outstanding at one time is $427,000,000 in principal amount. As of June 30 2007, there was bond indebtedness outstanding secured by the Tax Revenues of the Project Area issued in June 2006 in the aggregate principal amount of $16,000,000, of which $15,980,000 in principal amount is currently outstanding as of June 1, 2008. Tax increment may be received and applied to the repayment of indebtedness of the Project until December 13, 2040; however, there is no limitation as to the amount of tax increment revenue which may be allocated to the Agency for the Project Area. Through June 30, 2007, the Agency has received approximately $32,560,000 in Tax Revenues from the Project Area. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" for a list of historical receipts, a table containing historical taxable values and receipts of secured and unsecured property, and a list of the ten major assessees within the Project Area.

Outstanding Indebtedness of the Project Area

The Agency has previously issued the Series A Bonds secured by Tax Revenues of the Project Area, herein generally referred to as the "Outstanding Parity Bonds" of the Project Area, payable on a parity with the 2008 Bonds. The aggregate principal amount of the Outstanding Parity Bonds as of June 1, 2008 was $15,980,000. See the section and table captioned "Projected Debt Service Coverage" herein for information regarding the annual debt service payments to be made with respect to the Outstanding Parity Bonds and the Net Estimated Revenues of the Project Area in the amounts projected by the Fiscal Consultant.

Historical and Current Taxable Values and Revenues

CRA/LA's primary source of funds to pay debt service on the 2008 Bonds is CRA/LA's share of ad valorem property tax increment revenues of the Project Area that result from the completion of new real estate developments and a general reassessment of properties within the Project Area. The purpose of redevelopment is to revitalize deteriorated or underdeveloped areas within a community. As new construction progresses, property values normally increase and the ultimate result is a proportionate increase in ad valorem property tax revenues.

The total taxable value of all properties within the Project Area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan established a base from which increases in taxable value are computed. Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment roll will continue to be paid to and retained by all taxing agencies levying property taxes in the Project Area. Taxes levied by the respective taxing agencies on any increases in taxable value realized in the Project Area will be allocated to the Agency.

This procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year shall be apportioned to the taxing agencies levying the taxes and to the Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Agency in connection with the Project Area have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner.

Set forth below is information regarding the assessed valuation of taxable values (secured and unsecured) in the Project Area for the current fiscal year and the growth in incremental value over the base year.

Project Area	Base Year	2007-2008 Taxable Value [1]	Base Year Taxable Value	Incremental Value [2]	% Valuation Growth
Wilshire Center/Koreatown	1995-96	$4,361,378,580	$2,515,955,183	$1,845,423,397	73.3%

1 Secured and unsecured assessed valuations.

2 Not adjusted for resolved or pending appeals. Adjusted incremental value (secured and unsecured) for 2007-08 is $1,805,515,397.

Set forth below is information regarding the historical assessed valuation of taxable values (secured and unsecured) in the Project Area for the fiscal years from 2003-04 to 2007-08 and the growth in incremental value over the base year.

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Wilshire Center/Koreatown Project Area
Historical Taxable Values

Historical Taxable Value

	2003/04	2004/05	2005/06	2006/07	2007/08
Secured					
Land	$ 1,137,787,203	$ 1,266,514,923	$ 1,469,411,848	$ 1,754,586,532	$ 2,038,131,271
Improvements	1,543,126,004	1,688,892,677	1,806,556,321	1,974,115,715	2,235,567,650
Personal Property	17,250,598	10,318,131	12,824,837	12,632,099	11,807,723
Gross Secured	$ 2,698,163,805	$ 2,965,725,731	$ 3,288,793,006	$ 3,741,334,346	$ 4,285,506,644
Less: Exemptions	103,167,410	145,104,614	157,559,673	171,656,339	192,404,734
Less: Exemption Adjustments (2)	56,755,974	-	-	-	-
Total Secured	$ 2,538,240,421	$ 2,820,621,117	$ 3,131,233,333	$ 3,569,678,007	$ 4,093,101,910
Unsecured					
Land	0	0	0	0	0
Improvements	78,006,445	82,678,888	124,050,844	129,894,225	58,063,370
Personal Property	149,881,228	118,340,422	129,047,743	128,887,417	212,709,258
Gross Unsecured	$ 227,887,673	$ 201,019,310	$ 253,098,587	$ 258,781,642	$ 270,772,628
Less: Exemptions	1,613,100	1,147,600	2,714,780	2,109,336	2,495,958
Total Unsecured	$ 226,274,573	$ 199,871,710	$ 250,383,807	$ 256,672,306	$ 268,276,670
TOTAL PROJECT VALUE	**$2,764,514,994**	**$ 3,020,492,827**	**$ 3,381,617,140**	**$ 3,826,350,313**	**$ 4,361,378,580**
Percentage Increase/Decrease		**9.26%**	**11.96%**	**13.15%**	**13.98%**

(1) Values are as reported by the Los Angeles County Auditor-Controller.
(2) Exemption adjustments are based on specific situations where exemptions were filed late and not included in the initial roll values.

Assessment Appeals

Appeals of the taxable value for assessments within the Project Area could potentially lower taxable values, as currently reported, thereby reducing Tax Revenues. Resolved assessment appeals reduced estimated property valuation within the Project Area by approximately $2.8 million for fiscal year 2007-08, and refunds are estimated to reduce Project Tax Revenues in fiscal year 2007-08 by $8,000. In addition, a number of appeals are currently pending regarding assessed valuation within the Project Area that may result in additional reductions in estimated property valuation and refunds to property owners. The estimated valuation reduction for the Project Area for pending appeals for fiscal year 2007-08 is $37.1 million and the estimated refund is $635,000. The potential impact of pending appeals is based on the applicant's opinion of the value of the contested parcels. Actual impacts to Tax Revenues are dependent upon the actual revised value, if any, of assessments resulting from values determined by the County Assessment Appeals Board or through litigation, and upon the timing of successful appeals. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" hereto.

Historically, the Agency has addressed resolved and pending refunds resulting from assessment appeals through its budgeting process. Each quarter, as new appeal information becomes available, the Agency reviews such information and makes appropriate budgeting adjustments so as to absorb significant impact (if any) from appeals out of cash on hand, program revenues, or other means necessary to meet its obligations to Bondholders. This policy is an internal management tool and is subject to change. While the Agency cannot guarantee the continuation of such policy, it currently has no plans to adjust or eliminate it.

The County Assessor has initiated a review of the assessed valuations of certain residential properties in the City, including certain properties in the Project Area. See "TAX REVENUES AND DEBT SERVICE —Los Angeles County Assessor' Revaluation of Residential Properties in 2008" herein.

There can be no assurance as to the outcome of any of the above pending appeals. It is possible that other owners of property in the Project Area will file appeals to lower their assessment values to comparable levels. See APPENDIX A— "FISCAL CONSULTANT'S REPORT" hereto for the assumptions the Fiscal Consultant has made concerning the resolved and pending appeals in the Project Area. Successful appeals will result in reductions in the amount of Tax Revenues collected in the Project Area and could have an adverse effect on the Agency's ability to pay debt service on the 2008 Bonds and the Outstanding Parity Bonds.

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Estimated Tax Revenue

Set forth below is a table showing the "Net Estimated Tax Increment Revenue" relating to the Project Area (as shown in APPENDIX A), prepared by Katz Hollis, CRA/LA's Fiscal Consultant ("Katz Hollis" or the "Fiscal Consultant"). The Fiscal Consultant's Report sets forth in Part II thereof estimates the tax increment revenues of the Project Area for the 2007-08 fiscal year, as adjusted for certain fees and the estimated AB 1290 tax-sharing payments payable from the tax increment revenues of the Project Area, and as reduced by the amount of pending and resolved assessment appeals. The Fiscal Consultant has estimated the AB 1290 payments to be approximately $3,611,175 in the 2007-08 fiscal year.

The 2007-08 tax roll for the Project Area (as described in the Fiscal Consultant's Report) reflects an increase in assessed valuation of approximately $535 million (or 14 %) from the 2006-07 reported assessed valuation. Estimated Tax Revenues (comprised of total tax increment revenue for the Project Area, less estimated appeal reductions, property tax administrative charges and tax sharing payments under Health and Safety Code Section 33607.5 (AB 1290)) of approximately $14,063,843 are projected to be received with respect to the Project for the 2007-08 fiscal year. Through June 30, 2007, the Agency has received approximately $32,563,200 in total tax increment revenues from the Project Area.

Included in APPENDIX A— "FISCAL CONSULTANT'S REPORT" hereto is a table setting forth projections of future total annual Estimated Tax Revenues based on the assumptions and qualifications described therein. The table set forth in the Fiscal Consultant's Report showing a projection of Project taxable values includes the two percent inflation factor used by the County Assessor per the direction of the State Board of Equalization, assuming growth in assessed valuation annually in the Project Area. APPENDIX A— "FISCAL CONSULTANT'S REPORT" also sets forth a list of historical receipts, a table containing historical taxable values and receipts of secured and unsecured property, a chart containing the base roll assessed valuation of the Project as compared to the assessed value, and the estimated incremental tax revenue for fiscal year 2007-08 and a list of the ten major assessees within the Project Area. The Agency believes the assumptions and qualifications described in the Fiscal Consultant's Report to be reasonable, but to the extent that the actual components used in the determination of Net Estimated Revenue vary from such assumptions, the total Net Estimated Revenue available to pay debt service on the 2008 Bonds and the Outstanding Parity Bonds of the Project may be less than that projected herein.

For discussion of certain factors which might substantially reduce Tax Revenues, see "LIMITATIONS ON TAX REVENUES" and "BONDOWNERS' RISKS" herein.

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Wilshire Center/Koreatown Redevelopment Project

Estimate of Tax Increment Revenues (1)

	2007/08 Taxable Value	1995-96 Base Taxable Value	2007/08 Incremental Taxable Value
Secured			
Land	$2,038,131,271	$1,053,761,127	$984,370,144
Improvements	2,235,567,650	1,495,969,348	739,598,302
Personal Property	11,807,723	11,169,200	638,523
Gross Secured	$4,285,506,644	$2,560,899,675	$1,724,606,969
Less: Exemptions	192,404,734	86,294,436	106,110,298
Total Secured	$4,093,101,910	$2,474,605,239	$1,618,496,671
Unsecured			
Land	0	0	0
Improvements	58,063,370	13,133,284	44,930,086
Personal Property	212,709,258	28,216,660	184,492,598
Gross Unsecured	$270,772,628	$41,349,944	$229,422,684
Less: Exemptions	2,495,958	0	2,495,958
Total Unsecured	$268,276,670	$41,349,944	$226,926,726
Total Secured and Unsecured	**$4,361,378,580**	**$2,515,955,183**	**$1,845,423,397**
Resolved Appeal Valuation Reductions (2)			2,804,000
Pending Appeal Valuation Reductions (2)			37,104,000
Adjusted Incremental Secured and Unsecured			$1,805,515,397
Tax Increment Revenue			$18,056,000
Unitary Revenue (3)			0
Less: Property Tax Administrative Charge (4)			380,982
Gross Estimated Revenue			$17,675,018
AB 1290 Payments			3,611,175
NET ESTIMATED REVENUE (5) (6)			**$14,063,843**

(1) Based on information provided by the County of Los Angeles.
(2) Based on information reported by the County as of March 2008.
(3) As reported by the County as of March 2008.
(4) Estimated at 2.02% of Tax Increment Revenue and Unitary Revenue.
(5) Total Estimated Revenue includes approximately $3.8 milllion of revenue designated for housing uses but available for debt service on the proposed bonds.
(6) It is estimated that the Agency will be impacted by $8,000, and $635,000 in prior year Resolved and Pending Assessment Appeals Refunds. The Agency will reimburse this amount from funds on hand.

Estimated Tax Revenue and Debt Service Coverage—2008 Bonds and Outstanding Parity Bonds

Set forth below is a table showing the estimated debt service coverage with respect to the 2008 Bonds as of September 1 of each year, using the "Net Estimated Tax Increment" relating to the Project Area (as that term is used in the Table showing Projected Tax Revenues of the Project Area and in APPENDIX A), based upon the projection of Tax Revenues prepared by Katz Hollis, the Fiscal Consultant. The projection of Tax Revenues prepared by Katz Hollis and set forth in Part III of its Report assumes a two per cent growth in real property values annually in accordance with County assessment practices. The Fiscal Consultant's Report sets forth in Part III thereof estimates the projected tax increment revenues of the Project Area, as adjusted for certain fees and the estimated AB 1290 tax-sharing payments payable from the tax increment revenues of the Project Area, and as reduced by the amount of pending and resolved assessment appeals. The Fiscal Consultant has estimated the AB 1290 payments to be approximately $3,611,175 in each fiscal year.

See "LIMITATIONS ON TAX REVENUES— Section 33607.5 (AB 1290) Payments" for a discussion of the tax-sharing payments and "BONDOWNERS' RISKS" for a discussion of various factors that may affect future Tax Revenues of the Project.

The table below sets forth a projection of Estimated Tax Revenues and debt service coverage on the Bonds and the Outstanding Parity Bonds of the Project. The Project assessed valuations assumed in the table below are based upon the assessed valuations in the Project Area for the 2007-08 fiscal year being held constant for each year shown; no growth in real property values has been assumed.

"Series A Outstanding Debt Service" shown in the table that follows reflects actual debt service on the Outstanding Parity Bonds relating to the Project. "Estimated Series B Debt Service" and "Estimated Series C Debt Service" reflect actual debt service on the 2008 Bonds. The Agency may issue additional bonds or other obligations secured by Tax Revenues of the Project Area in future years. See "SECURITY FOR THE 2008 BONDS— Issuance of Additional Bonds."

See "LIMITATIONS ON TAX REVENUES—Projected Tax Revenues" and "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT —Projected Tax Revenues" and the Fiscal Consultant's Report relating to the Project Area set forth in APPENDIX A— "FISCAL CONSULTANT'S REPORT" for a discussion of projected Tax Revenues of the Project Area.

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PROJECTED DEBT SERVICE COVERAGE

$33,630,000
THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA
Wilshire Center/Koreatown Recovery Redevelopment Project
Tax Allocation Bonds, Series B (Taxable) & Series C

Bond Year	Net Estimated Tax Increment[1]	Series A Outstanding Debt Service	Series B Debt Service	Series C Debt Service	Total Debt Service	Estimated Coverage
2008	$14,063,843	$728,340.00	$248,505.38	$106,615.35	$1,083,460.73	12.9804825x
2009	14,063,843	1,259,480.00	3,106,337.50	590,485.00	4,956,302.50	2.8375675x
2010	14,063,843	1,261,365.00	3,087,537.50	590,485.00	4,939,387.50	2.8472848x
2011	14,063,843	1,257,335.00	3,078,637.50	590,485.00	4,926,457.50	2.8547578x
2012	14,063,843	1,257,695.00	3,073,737.50	590,485.00	4,921,917.50	2.8573910x
2013	14,063,843	1,257,140.00	3,072,237.50	590,485.00	4,919,862.50	2.8585846x
2014	14,063,843	1,260,670.00	3,073,537.50	590,485.00	4,924,692.50	2.8557809x
2015	14,063,843	1,257,980.00	3,082,037.50	590,485.00	4,930,502.50	2.8524158x
2016	14,063,843	1,259,375.00	3,091,837.50	590,485.00	4,941,697.50	2.8459538x
2017	14,063,843	1,259,550.00	3,107,337.50	590,485.00	4,957,372.50	2.8369551x
2018	14,063,843	1,256,435.00	3,125,775.00	590,485.00	4,972,695.00	2.8282135x
2019	14,063,843	1,256,980.00	--	870,485.00	2,127,465.00	6.6106108x
2020	14,063,843	1,260,850.00	--	871,205.00	2,132,055.00	6.5963791x
2021	14,063,843	1,257,710.00	--	871,160.00	2,128,870.00	6.6062479x
2022	14,063,843	1,257,895.00	--	870,350.00	2,128,245.00	6.6081880x
2023	14,063,843	1,261,070.00	--	868,775.00	2,129,845.00	6.6032237x
2024	14,063,843	1,256,900.00	--	871,435.00	2,128,335.00	6.6079085x
2025	14,063,843	1,260,720.00	--	868,075.00	2,128,795.00	6.6064807x
2026	14,063,843	1,256,860.00	--	868,575.00	2,125,435.00	6.6169245x
2027	14,063,843	1,260,655.00	--	868,035.00	2,128,690.00	6.6068065x
2028	14,063,843	1,256,435.00	--	871,455.00	2,127,890.00	6.6092904x
2029	14,063,843	1,259,535.00	--	868,575.00	2,128,110.00	6.6086072x
2030	14,063,843	1,259,285.00	--	868,850.00	2,128,135.00	6.6085295x
2031	14,063,843	1,260,685.00	--	872,781.26	2,133,466.26	6.5920157x
2032	14,063,843	1,258,400.00	--	870,100.00	2,128,500.00	6.6073963x
2033	14,063,843	1,257,430.00	--	871,075.00	2,128,505.00	6.6073808x
2034	14,063,843	1,257,440.00	--	870,437.50	2,127,877.50	6.6093292x
2035	14,063,843	1,258,095.00	--	868,187.50	2,126,282.50	6.6142871x
2036	14,063,843	1,259,060.00	--	869,325.00	2,128,385.00	6.6077533x
2037	14,063,843	--	--	872,750.00	872,750.00	16.1144005x
2038	14,063,843	--	--	868,975.00	868,975.00	16.1844046x
2039	14,063,843	--	--	868,275.00	868,275.00	16.1974524x
2040	14,063,843	--	--	870,375.00	870,375.00	16.1583720x
TOTAL	--	$35,971,370.00	$31,147,517.88	$25,150,721.61	$92,269,609.49	--

(1) Estimated FY 2008 Tax Increment Revenues, after AB1290 payments totaling $3,611,175 have been deducted, are provided by Katz Hollis, the Agency's Fiscal Consultant

Top 10 Assessees

Ten major property owners in the Project Area were identified by the Fiscal Consultant based upon a review of the fiscal year 2007-08 locally assessed secured taxable valuations reported by the County Assessor. The aggregate total assessed value of the ten identified taxpayers amounted to $544,982,781 or 12.50% of the total taxable value of the Project Area. The aggregate total assessed value of the ten identified taxpayers amounted to 29.53% of the total incremental taxable value of the Project Area over base year values.

Wilshire Center/Koreatown Redevelopment Project

TEN MAJOR ASSESSEES FOR FISCAL YEAR 2007/08 (1)

Rank	Major Assessees	No. of Assessments	Use	2007/08 Value	% of Project Value
1	Wilshire Western Condos LLC	7	Office Buildings	$106,347,320	2.44%
2	CBS Outdoor Inc	1	Unsecured	80,491,387	1.85%
3	Donald T Sterling TR	11	Apartments	69,548,405	1.59%
4	Central Plaza LLC	6	Office Buildings	48,878,384	1.12%
5	Lewis Holding Co	6	Regional Shopping Center	42,306,794	0.97%
6	Korean Shopping Center Inc	2	Shopping Center	40,195,464	0.92%
7	Leo Y and Hyo S Lee TRS	5	Apartments/Hotel	40,166,432	0.92%
8	Shinyoung 3670 LLC	2	Office Buildings	40,000,000	0.92%
9	NBGI Homes LLC	2	Apartment/Restaurant	39,363,439	0.90%
10	Equitable Plaza LLC	1	Office Building	37,685,156	0.86%
			TOTAL VALUE MAJOR ASSESSEES	**$544,982,781**	
			TOTAL 2007/08 PROJECT VALUE	**$4,361,378,580**	
			TOTAL % OF 2007/08 PROJECT VALUE		**12.50%**
			TOTAL % OF 2007/08 INCREMENTAL VALUE		**29.53%**

(1) Based on information provided by the County of Los Angeles. Includes all secured and unsecured value located within the Project Area attributable to each assessee.

CERTAIN LEGAL MATTERS

The legal opinion of Robinson & Pearman LLP, Bond Counsel, approving the validity of the 2008 Bonds, will be made available to the underwriters purchasing the 2008 Bonds at the time of the original delivery of the 2008 Bonds. The form of such opinion is attached as APPENDIX C hereto. The legal opinion of the Law Offices of Elizabeth C. Green, Disclosure Counsel, will also be made available to the purchasers of the 2008 Bonds at the time of the original delivery of the 2008 Bonds. All or a portion of the fees of such counsel is dependent on the successful issuance and delivery of the 2008 Bonds. Certain legal matters for the Agency are passed upon by the City Attorney of the City of Los Angeles, California.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of bonds, such as the Series B Bonds and the Series C Bonds, for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on such bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the bonds. The CRA/LA has indicated that no attempt will be made to comply with those requirements for the Series B Bonds and expects the interest on the Series B Bonds to be included in gross income pursuant to Section 103(a) of the Code (federally taxable). The CRA/LA has, however, covenanted to maintain the exclusion of the interest on the Series C Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Robinson & Pearman LLP, Bond Counsel, under existing law, interest on the Series B Bonds and the Series C Bonds is exempt from personal income taxes of the State of California. Bond Counsel is further of the opinion, assuming compliance with the aforementioned covenant, that interest on the Series C Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, that the Series C Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Series C Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. The receipt or accrual of interest on the Series C Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)). Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds or regarding any other federal tax consequence relating to the accrual or receipt of interest on the Series B Bonds or the Series C Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series B Bonds or the Series C Bonds may affect the tax status of interest on such Bonds or the tax consequences of the ownership of such Bonds or the market price for, or marketability of, the 2008 Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, or clarifications of the Code or court decisions will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series B Bonds and the Series C Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series C Bonds from the gross income of the owners thereof for federal income tax purposes. Prospective purchasers of the 2008 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Although Bond Counsel is of the opinion that interest on the Series C Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, State or local tax liability may be otherwise affected by the ownership or disposition of such bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series C Bonds should be aware that (a) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series C Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Series C Bonds, (b) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series C Bonds, (c) interest on the Series C Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (d) passive investment income, including interest on the Series C Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (e) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series C Bonds and (f) under section 32(i) of the Code, receipt of investment income, including interest on the Series C Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the CRA/LA described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the 2008 Bonds. Bond Counsel's engagement with respect to the 2008 Bonds ends with the issuance of the 2008 Bonds and Bond Counsel has not been engaged to defend the CRA/LA or the owners of the Series C Bonds regarding the tax-exempt status of the Series C Bonds in the event of an audit examination by the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series C Bonds is commenced, under current procedures the Service is likely to treat the CRA/LA as the "taxpayer," and the owners of the Series C Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series C Bonds, the CRA/LA may have different or conflicting interest from the owners of the Series C Bonds. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Series C Bonds, regardless of the final disposition of the audit.

LITIGATION

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or to the best knowledge of the Agency, threatened against the Agency to restrain or enjoin the authorization, execution or delivery of the 2008 Bonds or the pledge of the Tax Revenues with respect to the Project Area or the collection of the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the 2008 Bonds or the Indenture.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of owners of the 2008 Bonds to provide certain financial information and operating data relating to the Agency by not later than eight months after the end of the Agency's fiscal year (presently June 30) in each year, commencing with its report for the fiscal year ending June 30, 2008 (the "Annual Reports") and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the Agency or The Bank of New York Trust Company, N. A., as dissemination agent (the "Dissemination Agent"), on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Dissemination Agent on behalf of the

Agency with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is summarized in APPENDIX F— "FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATINGS

Standard & Poor's Rating Services has assigned a rating of "A-" to the 2008 Bonds.

With respect to the Insured Series B Bonds (Series B 2012-2018 maturities), Moody's Investor's Service and Standard & Poor's Rating Services are expected to assign their municipal bond ratings of "Aaa," and "AAA", respectively (the "BHAC-Insured Ratings"), to the Insured Series B Bonds based upon the issuance, concurrently with delivery of the Insured Series B Bonds, of the Financial Guaranty Insurance Policy by BHAC insuring the payment when due of the principal of and interest on the Insured Series B Bonds. See "FINANCIAL GUARANTY INSURANCE POLICY" herein regarding the BHAC-Insured Ratings. The BHAC-Insured Ratings apply only to the Insured Series B Bonds.

Each of the credit ratings reflects the views of the respective rating agencies and any explanation of the significance of the ratings should be obtained directly from the agencies. An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. An explanation of the significance of such ratings may be obtained from the respective agencies at the following addresses: Moody's Investor's Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that any rating will not subsequently be revised or withdrawn entirely if, in the judgment of the assigning agencies, circumstances so warrant. Maintenance of ratings will require periodic review of current financial data and other updating information by the assigning agencies. A revision or withdrawal of any such credit rating could have an effect on the market price, if any, of the 2008 Bonds.

FINANCIAL ADVISOR

Gardner, Underwood & Bacon LLC, Los Angeles, California, is serving as financial advisor to the Agency (the "Financial Advisor") with respect to the execution and delivery of the 2008 Bonds. The Financial Advisor has not independently verified any of the data contained in this Official Statement or conducted a detailed investigation of the affairs of the Agency to determine the accuracy or completeness of this Official Statement. The Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained in this Official Statement.

SALE OF THE 2008 BONDS

The Series B Bonds were purchased at competitive sale by BB&T Capital Markets (the "Series B Purchaser"). The Series B Purchaser has agreed to purchase the Series B Bonds at a price of $22,355,282.45 (which price is equal to the aggregate principal amount of the Series B Bonds of $22,580,000.00, plus original issue premium of $610,742.45 and less an underwriter's discount of $835,460.00). The Series B Purchaser has certified the reoffering prices or yields for the Series B Bonds set forth on the cover of this Official Statement, and the Agency takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Series B Bonds is $610,742.45, and the Series B Purchaser's gross compensation (or "spread") is $835,460.00.

The Series C Bonds were purchased at competitive sale by Citigroup Global Markets, Inc. (the "Series C Purchaser"). The Series C Purchaser has agreed to purchase the Series C Bonds at a price of $10,939,500.00 (which price is equal to the aggregate principal amount of the Series C Bonds of $11,050,000.00, plus original issue premium of $191,192.15 and less an Underwriter's discount of $301,692.15). The Series C Purchaser has certified the reoffering prices or yields for the Series C Bonds set forth on the cover of this Official Statement, and the Agency takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Series C Bonds is $191,192.15, and the Series C Purchaser's gross compensation (or "spread") is $301,692.15.

The Series B Purchaser and the Series C Purchaser have agreed to purchase all of the Bonds of the respective Series, if any are purchased, the obligations to make such purchases being subject to certain terms and conditions, including the approval of certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions. The Series B Purchaser and the Series C Purchaser intend to offer the Bonds of the respective Series to the public at the offering prices set forth on the inside cover page of this Official Statement. The Series B Purchaser and the Series C Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices of the respective Series of Bonds may be changed from time to time by the Series B Purchaser and the Series C Purchaser.

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MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2008 Bonds or any other Bonds.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. Excerpts from the audited financial statements of the Agency, including a summary of significant accounting policies, for the fiscal year ended June 30, 2007 are contained in APPENDIX D.

The issuance of this Official Statement has been duly authorized by the Agency.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

By: /s/ Raymond L. Fors
Finance Director

APPENDIX A

FISCAL CONSULTANT'S REPORT

KatzHollis

REPORT OF THE FISCAL CONSULTANT

Prepared for

COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES
(Los Angeles County, California)

WILSHIRE CENTER/KOREATOWN
RECOVERY REDEVELOPMENT PROJECT
Tax Allocation Bonds, Series B (Taxable)

Submitted by Katz Hollis

June 2008

PART I

INTRODUCTION

The Community Redevelopment Agency of the City of Los Angeles, (the "Agency") is considering the pledge of tax increment revenues to be generated from the Wilshire Center/Koreatown Recovery Redevelopment Project (the "Project") to the payment of debt service on the Project's Tax Allocation Bonds, Series B (the "Bonds"). In connection with the proposed pledge of tax increment revenue, the Agency has requested that Katz Hollis review current and historical taxable values and property tax revenues, review currently pending and recently resolved assessment appeals and estimate future tax increment revenues for the Project. Pursuant to that request, Katz Hollis has prepared this Fiscal Consultant's Report (the "Report"). The key data for the Project is summarized in tabular format on Figure I-1, shown on the following page. This Report is organized into the following four parts:

Part I, "Introduction," provides an outline of the Report, a summary of the Project including a Project Profile, Figure I-1, and a brief discussion of the amendments to the Redevelopment Plan.

Part II, "Project Taxable Value and Tax Increment Revenue," covers current and historic values, taxable value attributable to major assessees, currently pending and recently resolved assessment appeals, and information on the sources of tax increment revenues including unitary property taxes, supplemental property taxes and state special subventions. An analysis describing the impacts of existing liens on tax increment revenues including the low and moderate income housing set-aside and property tax administrative charges is also included in Part II.

Part III, "Projection of Tax Increment Revenues," includes a projection of future levels of taxable value and resultant tax increment revenues. Additionally, Part III discusses and demonstrates the impact of recently resolved assessment appeals on tax increment revenue of the Project. Part III also includes a discussion of the underlying assumptions of the projection, particularly the basis of assumptions regarding the future inflationary increases in Project values.

Part IV, "Background Information," contains background information on the topics covered in Parts I through III of this Report. It has been prepared for those readers of the Report who may wish further information on the analysis and conclusions presented in prior sections.

It should be noted that the assessed value and tax increment revenue projections in this Report are based upon information believed to be reasonable and accurate as of the date of this analysis. To the extent that current information is modified, resulting tax increment revenue may be other than that projected. The discussion of allocation procedures for property taxes contained in this Report is based largely upon information provided by representatives of Los Angeles County (the "County"). These procedures are in some measure set administratively and are subject to change. No proposed changes to these procedures, other than those discussed herein, have been identified to date.

KatzHollis

Community Redevelopment Agency of the City of Los Angeles

Wilshire Center/Koreatown Redevelopment Project

Figure I-1

PROJECT PROFILE

GENERAL INFORMATION

Date of Adoption:	December 13, 1995
Amendments:	None
Area:	1,207 Acres
Tax Increment Limit:	None
Tax Increment Received Through 2006-07	$32,563,200
Bond Indebtedness Limit:	$427,000,000
Bond Indebtedness Outstanding as of June 2007	$16,000,000
Time Limit on Debt Incurrence.	December 13, 2015
Time Limit on the Effectiveness of the Redevelopment Plan:	December 13, 2025
Time Limit to Receive TI/Repay Indebtedness:	December 13, 2040

2007/08 REVENUE ESTIMATE (1)

	2007/08 Value	1995-96 Base Year Value	2007/08 Incremental Value
Secured			
Land	$2,038,131,271	$1,053,761,127	$984,370,144
Improvements	2,235,567,650	1,495,969,348	739,598,302
Personal Property	11,807,723	11,169,200	638,523
Less. Exemptions	192,404,734	$86,294,436	106,110,298
Total Secured	4,093,101,910	2,474,605,239	$1,618,496,671
Unsecured			
Land	0	0	0
Improvements	58,063,370	13,133,284	44,930,086
Personal Property	212,709,258	28,216,660	184,492,598
Less: Exemptions	2,495,958	-	2,495,958
Total Unsecured	268,276,670	41,349,944	226,926,726
Total Value	4,361,378,580	2,515,955,183	1,845,423,397
Less: Resolved Appeal Valuation Reductions			2,804,000
Pending Appeal Valuation Reductions			37,104,000
Adjusted Incremental Secured and Unsecured			1,805,515,397
Tax Increment Revenue			$18,056,000
Unitary Revenue			0
Less: Property Tax Administrative Charge			380,982
Gross Estimated Revenue			$17,675,018
AB 1290 Payments			3,611,175
NET ESTIMATED REVENUE			**$14,063,843**

(1) Additional information is contained in Figure II-1.

ASSESSED VALUES/TAX RECEIPTS

Year	Historical Incremental Taxable Value	Original Levy	Levy Adjustment	Adjusted Receivable	Historical Receipts (2)
2003/04	248,559,811	3,080,627	(425,948)	2,654,679	2,629,397
2004/05	504,537,644	5,083,678	623,670	5,707,349	5,586,894
2005/06	865,661,957	8,794,394	(526,257)	8,268,137	8,093,333
2006/07	1,310,395,130	13,298,554	424,595	13,723,149	13,172,357

(2) Includes all current taxes and redemption payments collected.

Percentage Collection (3)

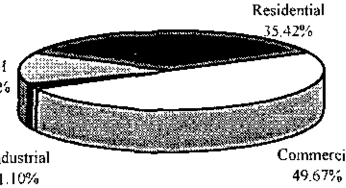
Year	Current Year Collections (4)	Collections including Prior Year (5)
2003/04	94.3%	99.0%
2004/05	95 3%	97.9%
2005/06	96.1%	97.9% (6)
2006/07	94 2%	96 0%
Average Collections	**95.0%**	**97.7%**

(3) Uncollected amounts due to a combination of factors. See Part II. "Project Tax Increment Receipts" for additional information.
(4) All current year taxes collected
(5) All current taxes and redemption payments collected
(6) Less than all revenues collected were paid to the Agency. See Part II, "Project Tax Increment Receipts" for additional information

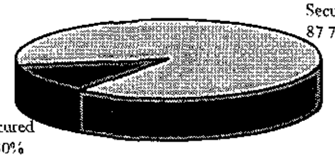
TAX SHARING AGREEMENTS

Payments are required per AB1290.

Value Per Land Use*



Revenue By Type



* Land use distribution based on the 2007/08 Los Angeles County secured roll.
SUSH - Single Unit Sales Housing.

MAJOR APPEALS (6)

Resolved Assessee	2007/08 Value Impact	Estimated Refunds
Secured		
Joong Ang Daily News	2,623,000	
Sook J. Park	116 000	2,000
Dalubhai D & Jeliben D Patel	65,000	1,000
Steve S. & Hae S., Trust		2,000
Unsecured		
Vons Companies Inc	N/A	2,000
Vons Companies Inc.	N/A	1,000
Estimated 2007/08 Impact	**$2,804,000**	**$8,000**

Pending Assessee	Estimated 2007/08 Value Impact	Estimated Refunds
Secured		
Leo Y Lee	8,800,000	-
Koar Wilshire Western LLC	6,111,000	11,000
Sebren Investments 2 LLC	2,822,000	-
CVS Realty, Inc.	2,500,000	-
Walgreen	1,963,000	-
Vermont Associates LLC	1,658,000	-
Rite Aid Corp Store	1,492,000	-
Kameron Segal	1,014,000	-
22 Other Appeals Under $1.0 million in Value Impact	10,744,000	22,000
Unsecured		
CBS Outdoor Inc	N/A	201,000
CBS Outdoor Inc	N/A	197,000
Viacom Outdoor, Inc.	N/A	189,000
Vons Companies Inc	N/A	5,000
Vons Companies Inc.	N/A	5,000
Eric Salter Co.	N/A	2,000
Premier ReSources, Inc.	N/A	2,000
Asiana Airlines	N/A	1,000
Estimated 2007/08 Impact	**$37,104,000**	**$635,000**

(6) See Part II. "Assessment Appeals" for additional information

TEN MAJOR ASSESSEES

Assessee	Use/ Common Name	Amount	% of Project Value
Wilshire Western Condos LLC	Retail/Residential	$106,347,320	2 44%
CBS Outdoor Inc	Unsecured	80,491,387	1 85%
Donald T Sterling TR	Apartments	69,548,405	1 59%
Central Plaza LLC	Office Buildings	48,878,384	1.12%
Lewis Holding Co	Regional Shopping Ctr.	42,306,794	0 97%
Korean Shopping Center Inc	Shopping Center	40,195,464	0.92%
Leo Y and Hyo S Lee TRS	Apartments/Hotel	40,166,432	0 92%
Shinyoung 3670 LLC	Office Bldg (vacant)	40 000,000	0 92%
NBGI Homes LLC	Apartment/Restaurant	39,363,439	0.90%
Equitable Plaza LLC	Office Building	37,685,156	0 86%
	Total Major Assessees	$544,982,781	
	Total 2007/08 Project Value	$4,361,378,580	
	Percentage of 2007/08 Total Value		**12.50%**
	Percentage of 2007/08 Incremental Value		**29.53%**

Characteristics of the Wilshire Center/Koreatown Recovery Redevelopment Project

The Wilshire Center/Koreatown Recovery Redevelopment Project Area is situated roughly one and one-half miles west of downtown Los Angeles. It encompasses 1,207 acres and is generally bounded by Fifth Street on the north, 12th Street on the south, Hoover Street on the east, and Eastern Avenue and Wilton Place on the west. It also includes the Vermont Avenue Corridor to the Hollywood Freeway and Western Avenue to Melrose Avenue.

Figure I-1 includes a chart, VALUE PER LAND USE, that provides the distribution of 2007-08 secured assessed value among the various land use categories. In the chart, the value of residential property is divided between Single Unit Sales Housing ("SUSH") and other residential properties. SUSH is comprised of single-family detached housing and condominiums. The category is included to provide an approximate indication of the amount of Project value that is subject to relatively small mortgages that are not supported by income from the property. Recently there has been a significant amount of discussion in the news media of the vulnerability of such mortgages to foreclosure and of the decline of market value for SUSH properties. Per the provided chart, SUSH comprises 12.80% of the Project's 2007-08 value.

The Redevelopment Plan of the Project was adopted on December 13, 1995 and has been subject to the requirements of Assembly Bill ("AB") 1290 since adoption. The time and dollar limits for the Project are as shown below.

Debt Incurrence Time Limit	Plan Effectiveness / Duration Time Limit	Tax Increment Receipt Time Limit	Bonded Indebtedness Dollar Limit
December 13, 2015	December 13, 2025	December 13, 2040	$427,000,000

PART II

PROJECT TAXABLE VALUE AND TAX INCREMENT REVENUE

INTRODUCTION

The following paragraphs provide summarized information regarding property tax valuation and revenues realized or to be realized for the Project in the current and prior fiscal years. Much of the information regarding 2007-08 fiscal year values and resultant revenues is presented on Table II-1, "Estimate of Tax Increment Revenues for Fiscal Year 2007-08." Additional specifics regarding the analyses and assumptions that underlie the information in this Part II can be found in Part IV, "Background Information."

PROJECT TAXABLE VALUE

Current and Historical Taxable Value

Project value is originally reported by the County in late September of each fiscal year and is based on the aggregation of parcel values in the Project equalized as of August 20th of such year. Fiscal year 2007-08 Project value is shown on Table II-1, "Estimate of Tax Increment Revenues." Based on the County's original report of values for the 2007-08 fiscal year, the total assessed value of the Project is $4.36 billion. This represents an increase of approximately $535 million (or 14 percent) from the 2006-07 reported Project values as shown on Table II-2 "Historical Taxable Value.

Assessment Appeals

Pending and recently resolved assessment appeals were reviewed in order to determine the potential impact on current and future Project value and tax increment revenue should appeals be resolved in favor of the assessees. The analysis of currently pending and recently resolved assessment appeals in the Project disclosed six appeals that have recently been resolved, resulting in valuation reductions totaling $2.8 million, and a collection of appeals pending hearing before the County Assessment Appeals Board that could result in reductions to Project value of an estimated $37.1 million.

The following Resolved Assessment Appeals table summarizes the recently resolved appeals for the Project. The table includes the valuation reduction, and the estimated resulting refund due the assessee for each resolved appeal.

Assessee	2007-08 AV Reduction	Estimated Total Refund
Secured		
Joong Ang Daily News	$2,623,000	$ 0
Sook J. Park	116,000	2,000
Dalubhai D. & Jeliben D. Patel	65,000	1,000
Steve S. & Hae S., Trust	0	2,000

Table II-1

KatzHollis

Community Redevelopment Agency
of the City of Los Angeles

Wilshire Center/Koreatown Redevelopment Project

Estimate of Tax Increment Revenues (1)

	2007/08 Taxable Value	1995-96 Base Taxable Value	2007/08 Incremental Taxable Value
Secured			
Land	$2,038,131,271	$1,053,761,127	$984,370,144
Improvements	2,235,567,650	1,495,969,348	739,598,302
Personal Property	11,807,723	11,169,200	638,523
Gross Secured	$4,285,506,644	$2,560,899,675	$1,724,606,969
Less: Exemptions	192,404,734	86,294,436	106,110,298
Total Secured	$4,093,101,910	$2,474,605,239	$1,618,496,671
Unsecured			
Land	0	0	0
Improvements	58,063,370	13,133,284	44,930,086
Personal Property	212,709,258	28,216,660	184,492,598
Gross Unsecured	$270,772,628	$41,349,944	$229,422,684
Less: Exemptions	2,495,958	0	2,495,958
Total Unsecured	$268,276,670	$41,349,944	$226,926,726
Total Secured and Unsecured	**$4,361,378,580**	**$2,515,955,183**	**$1,845,423,397**
Resolved Appeal Valuation Reductions (2)			2,804,000
Pending Appeal Valuation Reductions (2)			37,104,000
Adjusted Incremental Secured and Unsecured			$1,805,515,397
Tax Increment Revenue			$18,056,000
Unitary Revenue (3)			0
Less: Property Tax Administrative Charge (4)			380,982
Gross Estimated Revenue			$17,675,018
AB 1290 Payments			3,611,175
NET ESTIMATED REVENUE (5) (6)			**$14,063,843**

(1) Based on information provided by the County of Los Angeles.
(2) Based on information reported by the County as of March 2008.
(3) *As reported by the County as of March 2008.*
(4) Estimated at 2.02% of Tax Increment Revenue and Unitary Revenue.
(5) Total Estimated Revenue includes approximately $3.8 milllion of revenue designated for housing uses but available for debt service on the proposed bonds.
(6) It is estimated that the Agency will be impacted by $8,000, and $635,000 in prior year Resolved and Pending Assessment Appeals Refunds. The Agency will reimburse this amount from funds on hand.

Table II-2

KatzHollis

Community Redevelopment Agency

of the City of Los Angeles

Wilshire Center/Koreatown Redevelopment Project

Historical Taxable Value

	2003/04	2004/05	2005/06	2006/07	2007/08
Secured					
Land	$ 1,137,787,203	$ 1,266,514,923	$ 1,469,411,848	$ 1,754,586,532	$ 2,038,131,271
Improvements	1,543,126,004	1,688,892,677	1,806,556,321	1,974,115,715	2,235,567,650
Personal Property	17,250,598	10,318,131	12,824,837	12,632,099	11,807,723
Gross Secured	$ 2,698,163,805	$ 2,965,725,731	$ 3,288,793,006	$ 3,741,334,346	$ 4,285,506,644
Less: Exemptions	103,167,410	145,104,614	157,559,673	171,656,339	192,404,734
Less: Exemption Adjustments (2)	56,755,974	-	-	-	-
Total Secured	$ 2,538,240,421	$ 2,820,621,117	$ 3,131,233,333	$ 3,569,678,007	$ 4,093,101,910
Unsecured					
Land	0	0	0	0	0
Improvements	78,006,445	82,678,888	124,050,844	129,894,225	58,063,370
Personal Property	149,881,228	118,340,422	129,047,743	128,887,417	212,709,258
Gross Unsecured	$ 227,887,673	$ 201,019,310	$ 253,098,587	$ 258,781,642	$ 270,772,628
Less: Exemptions	1,613,100	1,147,600	2,714,780	2,109,336	2,495,958
Total Unsecured	$ 226,274,573	$ 199,871,710	$ 250,383,807	$ 256,672,306	$ 268,276,670
TOTAL PROJECT VALUE	**$ 2,764,514,994**	**$ 3,020,492,827**	**$ 3,381,617,140**	**$ 3,826,350,313**	**$ 4,361,378,580**
Percentage Increase/Decrease		**9.26%**	**11.96%**	**13.15%**	**13.98%**

(1) Values are as reported by the Los Angeles County Auditor-Controller.

(2) Exemption adjustments are based on specific situations where exemptions were filed late and not included in the initial roll values.

Unsecured		
Vons Companies Inc.	N/A	2,000
Vons Companies Inc.	N/A	1,000
Estimated 2007-08 Impact	**$2,804,000**	**$8,000**

There are also several significant pending assessment appeals. The pending appeals are assumed to be reduced by twenty-five percent of assessed value, based on a review of historical reductions resulting from successful appeals in the Project. Based on a review of the County's historical timing of resolution of appeals in the Project, we have assumed that all appeals filed will impact 2007-08 Project value. The following table summarizes these appeals.

PENDING ASSESSMENT APPEALS

Pending Appeals Assumed to Impact 2007-08

Assessee	Estimated 2007-08 Valuation Impact	Estimated Total Refunds
Secured		
Leo Y. Lee	$ 8,800,000	$ 0
Koar Wilshire Western LLC	6,111,000	11,000
Sebren Investments 2 LLC	2,822,000	
CVS Realty, Inc.	2,500,000	
Walgreen	1,963,000	
Vermont Associates LLC	1,658,000	
Rite Aid Corp Store	1,492,000	
Kameron Segal	1,014,000	
22 Others (Under $1.0 Million Value Impact)	10,744,000	22,000
Unsecured		
CBS Outdoor Inc.	N/A	201,000
CBS Outdoor Inc.	N/A	197,000
Viacom Outdoor, Inc.	N/A	189,000
Vons Companies Inc.	N/A	5,000
Vons Companies Inc.	N/A	5,000
Eric Salter Co.	N/A	2,000
Premier ReSources, Inc.	N/A	2,000
Asiana Airlines	N/A	1,000
Total Assumed 2007-08 Impact	**$37,104,000**	**$635,000**

The estimated valuation impacts shown above represent the reduction in Project value that would occur given the resolution of each of these appeals in favor of the taxpayer. These amounts of impact would vary if the appeals are resolved in future fiscal years based on the application of inflationary factors (up to 2 percent per year) to the reduced taxable values. The total estimated refunds associated with pending appeals represents an estimate of the total refund for the prior fiscal years due to the taxpayers if the resolution of the appeals were to result in the valuation reduction estimates shown above. The amount of the refund due will increase annually, so long as the appeal is outstanding, by approximately one percent of the estimated valuation reduction.

For purposes of estimating Project revenue for fiscal year 2007-08, as shown on Table II-1, we have included an adjustment to incremental assessed value of a combined $39.9 million to reflect the estimated impact of the identified resolved and pending appeals impacting fiscal year 2007-08 Project values. It is the current practice of the County to reduce Project tax revenue due the Agency by the amount of refunds due on resolved assessment appeals in the year of such resolution. The Agency disagrees with the County's current practice and intends to set aside other funds for purposes of paying any prior year refunds. To reflect the Agency's position we have not adjusted revenue estimates in this Report to include the impact of refunds resulting from appeals.

Major Assessees

Table II-3, "Ten Major Assessees," lists the ten major assessees in the Project and the total 2007-08 taxable value in the Project attributable to each assessee. As shown on Table II-3, the cumulative taxable value of the ten major assessees represents approximately 12.50 percent of the total taxable value of the Project and represents approximately 29.53 percent of incremental taxable value of the Project.

PROJECT TAX REVENUE

Project tax revenue consists primarily of tax increment revenues generated from the application of appropriate tax rates to the incremental taxable value of the Project. Other tax increment sources can include unitary property taxes, supplemental property taxes and state special supplemental subventions.

Tax Rates

For computing revenue of the Project, the 2007-08 secured tax rate was used, which was applied to both secured and unsecured property (although, technically the unsecured rate would be the prior year's secured rate). This secured tax rate is generally the same for all project areas in Los Angeles.

Portions of the override tax rate are levied by the City of Los Angeles (City), by the Los Angeles Community College District (LACCD) and by the Los Angeles Unified School District (LAUSD) to fund debt service payments on bonds issued for the purpose constructing and renovating facilities. Authority for the levy was provided through voter approval of the issuance of bonds. Pursuant to Constitutional and statutory provisions, the taxes generated by application of these levies to incremental value in a redevelopment project are to be paid to the City, LACCD and LAUSD and not included in tax increment paid to the Agency. As shown on the following Secured Tax Rate table, we have deducted a portion of the override rate to determine the applicable tax rate. For additional information regarding tax rates, please refer to "PROJECT AREA TAX REVENUE - Tax Increment and Tax Rates" in Part IV.

Table II-3

KatzHollis

Community Redevelopment Agency
of the City of Los Angeles

Wilshire Center/Koreatown Redevelopment Project

TEN MAJOR ASSESSEES FOR FISCAL YEAR 2007/08 (1)

Rank	Major Assessees	No. of Assessments	Use	2007/08 Value	% of Project Value
1	Wilshire Western Condos LLC	7	Retail/Residential	$106,347,320	2.44%
2	CBS Outdoor Inc	1	Unsecured	80,491,387	1.85%
3	Donald T Sterling TR	11	Apartments	69,548,405	1.59%
4	Central Plaza LLC	6	Office Buildings	48,878,384	1.12%
5	Lewis Holding Co	6	Regional Shopping Ctr.	42,306,794	0.97%
6	Korean Shopping Center Inc	2	Shopping Center	40,195,464	0.92%
7	Leo Y and Hyo S Lee TRS	5	Apartments/Hotel	40,166,432	0.92%
8	Shinyoung 3670 LLC	2	Office Bldg (vacant)	40,000,000	0.92%
9	NBGI Homes LLC	2	Apartment/Restaurant	39,363,439	0.90%
10	Equitable Plaza LLC	1	Office Building	37,685,156	0.86%
			TOTAL VALUE MAJOR ASSESSEES	**$544,982,781**	
			TOTAL 2007/08 PROJECT VALUE	**$4,361,378,580**	
			TOTAL % OF 2007/08 PROJECT VALUE		**12.50%**
			TOTAL % OF 2007/08 INCREMENTAL VALUE		**29.53%**

(1) Based on information provided by the County of Los Angeles. Includes all secured and unsecured value located within the Project Area attributable to each assessee.

	Secured Tax Rate
Full Tax Rate	$ 1.174687
City of Los Angeles	(0.042551)
LAUSD Facility Levy	(0.123302)
LACCD	(0.008794)
Net Tax Rate	$ 1.000040

Unitary Property Taxes

The Project has not received any unitary property taxes since its adoption but may receive such revenues in the future. For additional information regarding unitary revenue, please refer to "PROJECT AREA TAX REVENUE - Unitary Property Taxes" in Part IV.

***Supplemental Property* Taxes**

The Agency typically receives supplemental revenues on an annual basis. Supplemental property taxes shown on the following table are a function of new construction activity and transfers of ownership occurring in the Project after the lien date and can result in an increase in or an offset to Project revenues. Shown below are annual supplemental property tax receipts for the Project over the period analyzed from 2003-04 through 2006-07.

HISTORICAL PROJECT SUPPLEMENTAL RECEIPTS

2003-04	$1,798,748
2004-05	$1,997,034
2005-06	$3,113,696
2006-07	$2,534,308

For additional information regarding supplemental revenues, please refer to "PROJECT AREA TAX REVENUE - Supplemental Property Taxes" in Part IV.

ADJUSTMENTS TO TAX INCREMENT REVENUE

It is our understanding that the Agency intends to pledge those tax increment revenues described above, and allowed by law to be pledged, toward payments that will secure debt service on the Bonds. The pledge of tax increment revenues toward the payment of debt service on the Bonds may be subject to adjustments to tax increment described below.

Property Tax Administrative Costs

The County currently reduces the amount of total tax increment revenue allocated to the Agency from the Project to cover property tax administrative costs. Legislation enacted in 1990, Senate Bill (SB) 2557, and in

1992, SB 1559, authorizes county auditors to determine property tax administrative costs proportionately attributable to local jurisdictions and, for the 1990-91 and 1991-92 fiscal years, to invoice the jurisdictions for such costs. Commencing in the 1992-93 fiscal year, the amounts due as local agencies' contribution to covering county administrative costs are to be allocated to the county as part of the overall system for the redistribution of property taxes (as opposed to being paid pursuant to invoices). SB 1559 expressly included redevelopment agencies as jurisdictions that are to be charged for property tax administrative costs. The County administrative fee for fiscal year 2007-08 is $380,982, or approximately 2 percent of Project revenue.

Low and Moderate Income Housing

Per state law, the Agency must set aside 20 percent of its allocated tax increment for low and moderate income housing purposes, except under certain specified conditions. It is the current policy of the Agency to make deposits equal to 20 percent of tax increment into its Low and Moderate Income Housing Fund either through direct deposits to the Housing Fund or by using Housing Fund revenues for eligible debt service payments. It is our understanding that at least twenty percent of the proceeds of the Bonds will be used for housing purposes. Estimates of the amount of tax revenue to be dedicated to housing uses are not shown in the estimates of tax revenue presented in this Report.

AB 1290 Payments to Taxing Entities

AB 1290 eliminated the provision of Section 33401 allowing redevelopment agencies to make payments from tax increment to affected taxing entities as a mitigation of fiscal impact caused by the adoption or amendment of redevelopment projects. The payments that might otherwise be made by projects under the former "pass-through" agreements have been replaced with a statutory tax increment sharing formula. The statutory payments are triggered when a project is adopted or amended to add territory after January 1, 1994 or when a redevelopment plan is amended to extend financial deadlines or to increase the amount of tax increment that may be received by an Agency. The Project was adopted after January 1, 1994 and, as a result, must make statutory payments to all affected taxing entities. An estimate of the amount due taxing entities from the Project per the statutory formula is included on Table II-1 and estimated for future years in the projections of Part III.

AB 1290 also provides for the subordination of the payments due taxing entities to debt service on redevelopment agency debt. The subordination must be requested by an agency prior to incurring the debt. Taxing entities must refuse the subordination (and substantiate the cause for refusal) within forty-five days of the agency's request or the subordination is granted.

The Agency has not requested subordination for the Series A bonds currently outstanding for the Project but intends to do so concurrently with the request for subordination of the Bonds. Because the receipt of approval of the subordination of AB 1290 payments is still pending, the estimates of tax revenue available for debt service on the Bonds provided in this Report have been reduced by the total amount of payments estimated to be due the taxing entities pursuant to AB 1290.

LOS ANGELES COUNTY ALLOCATION ADJUSTMENTS

The major component of the Los Angeles County allocation procedures that impact the Agency's receipt of tax increment revenues from the Project is the County's current policy of allocating tax increment revenues with offsets for delinquencies, taxable value adjustments and/or refunds of taxes as a result of successful assessment appeals.

Project Tax Increment Receipts

Tax receipts for the Project were reviewed in order to analyze collection trends. This review revealed the collection trends shown below for fiscal years 2003-04 through 2006-07 when compared to original levies. The effects on collection percentages of redemption payments received each year are also identified to indicate whether delinquencies in tax payments are being cured on a consistent basis.

PERCENTAGE COLLECTIONS

Fiscal Year	Current Year Collections	Collections Including Redemption Payments
2003-04	94.3%	99.0%
2004-05	95.3%	97.9%
2005-06	96.1%	97.9%
2006-07	94.2%	96.0%
Average Collections	**95.0%**	**97.7%**

The revenue estimate shown on Table II-1 has not been adjusted to reflect potential property tax payment delinquencies.

PART III

PROJECTION OF TAX INCREMENT REVENUES

INTRODUCTION

The estimates of future taxable values and revenues for the Project presented as Table III-1 are provided as an indication of the effect of pending instances of assessment changes and as a model of the future effects of some of the factors discussed in this Report. The estimates of annual value and revenue are constructed through a method that attempts to include only existing or imminent instances of changes in values or revenues incorporating certain assumptions about their timing or impact. As such, the projection is an indication of the effects of less than the full universe of elements that can affect the generation of future revenues in the Project.

PROJECTION OF PROJECT TAXABLE VALUES

Real property values included on Table III-1 are comprised of locally assessed secured and unsecured land and improvement values. It is assumed that 2007-08 real property will increase at an annual rate of two percent. Two percent is the inflation factor used by all county assessors for the 2007-08 assessment tax roll per the direction of the State Board of Equalization. Please note that although a two percent inflation factor has been used, the estimated impact on Project value from the resolution of resolved assessment appeals has been deducted from the projection of tax increment shown on Table III-1. In addition, taxable value growth that may occur as the result of changes in ownership or new construction is not included in the projection.

Other property values included on Table III-1 represent the taxable value of secured and unsecured fixtures and personal property. No inflationary trend has been applied to Other Property value.

Project Tax Revenue

Tax increment revenue shown on Table III-1 has been calculated by applying applicable tax rates to the incremental taxable value of the Project.

Total tax revenue does not include revenue resulting from supplemental property taxes. Possible offsets to revenue resulting from delinquencies, or other factors impacting collections of property tax revenues have not been assumed.

Table III-1

KatzHollis

Community Redevelopment Agency
of the City of Los Angeles

Wilshire Center/Koreatown Redevelopment Project

PROJECTION OF TAX INCREMENT REVENUE
(000'S omitted)

	Fiscal Year	(1) Total Value	(2) Incremental Value Over Base of $2,515,955	(3) Tax Increment Revenue	(4) County Admin Charge	Gross Estimated Revenue	AB 1290 Payments to Taxing Entities	Net Estimated Revenue
1	2007-08	$4,321,471	$1,805,515	$18,056	$381	$17,675	$3,611	$14,064
2	2008-09	4,470,281	1,954,325	19,543	412	19,131	3,909	15,222
3	2009-10	4,597,728	2,081,773	20,818	439	20,378	4,164	16,215
4	2010-11	4,685,243	2,169,287	21,693	458	21,235	4,339	16,897
5	2011-12	4,774,507	2,258,552	22,586	477	22,109	4,517	17,592
6	2012-13	4,865,557	2,349,601	23,496	496	23,000	4,852	18,148
7	2013-14	4,958,427	2,442,472	24,425	515	23,909	5,194	18,715
8	2014-15	5,053,156	2,537,200	25,372	535	24,837	5,543	19,294
9	2015-16	5,149,778	2,633,823	26,338	556	25,782	5,898	19,884
10	2016-17	5,248,333	2,732,378	27,324	577	26,747	6,261	20,486
11	2017-18	5,348,860	2,832,904	28,329	598	27,731	6,631	21,101
12	2018-19	5,451,396	2,935,441	29,354	619	28,735	7,008	21,727
13	2019-20	5,555,984	3,040,029	30,400	641	29,759	7,393	22,366
14	2020-21	5,662,663	3,146,708	31,467	664	30,803	7,786	23,018
15	2021-22	5,771,476	3,255,521	32,555	687	31,868	8,186	23,682
16	2022-23	5,882,465	3,366,510	33,665	710	32,955	8,594	24,360
17	2023-24	5,995,674	3,479,719	34,797	734	34,063	9,011	25,052
18	2024-25	6,111,147	3,595,192	35,952	759	35,193	9,436	25,757
19	2025-26	6,228,930	3,712,974	37,130	783	36,346	9,869	26,477
20	2026-27	6,349,068	3,833,113	38,331	809	37,522	10,311	27,211
21	2027-28	6,471,609	3,955,653	39,557	835	38,722	10,762	27,959
22	2028-29	6,596,600	4,080,645	40,806	861	39,945	11,222	28,723
23	2029-30	6,724,092	4,208,137	42,081	888	41,193	11,692	29,502
24	2030-31	6,854,133	4,338,178	43,382	915	42,466	12,170	30,296
25	2031-32	6,986,776	4,470,820	44,708	943	43,765	12,658	31,107
26	2032-33	7,122,071	4,606,116	46,061	972	45,089	13,308	31,782
27	2033-34	7,260,072	4,744,117	47,441	1,001	46,440	13,970	32,470
28	2034-35	7,400,833	4,884,878	48,849	1,031	47,818	14,646	33,172
29	2035-36	7,544,409	5,028,454	50,285	1,061	49,224	15,335	33,889
30	2036-37	7,690,857	5,174,902	51,749	1,092	50,657	16,038	34,619
31	2037-38	7,840,233	5,324,278	53,243	1,123	52,119	16,755	35,365
32	2038-39	7,992,598	5,476,643	54,766	1,156	53,611	17,486	36,125
33	2039-40	8,148,009	5,632,054	56,321	1,188	55,132	18,232	36,900
34	2040-41	8,306,529	5,790,574	57,906	1,222	56,684	18,993	37,691
TOTALS				**$1,238,786**	**$26,138**	**$1,212,647**	**$335,779**	**$876,868**

(1) Real Property Value is assumed to grow at two percent annually, and Other Property Value to remain constant at the 2007/08 amount. We have assumed value impacts of $2,804,000 and $37,104,000 for resolved and pending assessment appeals, respectively.

(2) The Base Year of the Project is fiscal year 1995-96.

(3) Based on the 2007-08 tax rate. Gross Tax Increment includes Unitary Revenue reported as of March 2008, if applicable.

(4) The County Administrative Charge is estimated at two percent of gross tax increment revenue.

KatzHollis

PART IV

BACKGROUND INFORMATION

INTRODUCTION

This Part IV contains background information on the topics covered in Parts I through III of this Report. It has been prepared for those readers of the Report who may wish further information on the analysis and conclusions presented in prior sections.

PROJECT AREA TAXABLE VALUE

Pursuant to provisions of the California Constitution and the California Revenue and Taxation Code, county assessors are directed to determine the full cash value of locally-assessed real and personal property as of January 1 of each year. Locally assessed property is classified as either secured or unsecured. The secured classification includes property on which the property tax levied becomes a lien on the property to secure payment of the taxes. Property taxes levied on unsecured property do not become a lien against the unsecured property, but may become a lien on other property owned by the taxpayer. The SBE is charged with assessing the value of state-assessed properties as of January 1 of each year. (All state-assessed property is classified as secured property.) Taxable property is assessed at 100 percent of its full cash value as defined by the California Constitution.

Locally-Assessed Values

Real property is comprised of locally assessed secured and unsecured land and improvements. Pursuant to Article XIIIA of the California Constitution (effective as of the 1978-79 fiscal year) and Section 51 of the Revenue and Taxation Code, the taxable value of real property is limited to the lesser of actual market value or the 1975-76 value (the "base assessment value") compounded by an inflation factor of up to 2 percent annually. A new base assessment value is determined in instances of new construction or changes of ownership, which may result in increased property values, in the year of the occurrence, above the 2 percent annual inflation factor.

Other property values are comprised of locally assessed secured and unsecured personal property. The taxable value of personal property is based on its full cash value and may be revalued annually without regard to the annual 2 percent inflation limitation imposed by Article XIIIA.

State Board of Equalization Values

The SBE determines the annual taxable value of real and personal property of state-assessed utilities. The SBE determines the value of both unitary and non-unitary property of utilities. The taxable value of unitary properties is based on the unit valuation of all properties utilized statewide in the primary function of a utility. Non-unitary properties are assessed by the SBE but are not part of the primary function of the utility.

Following the passage of Proposition 13 adding Article XIIIA to the California Constitution, the SBE determined that the provisions of that Article requiring a "roll back" of real property values to their 1975-76 values and a constraint on inflationary growth of 2 percent per year did not apply to state-assessed property. This interpretation has been upheld by the California Supreme Court *(ITT World Communications, Inc. vs. City and County of San Francisco, et al, 37 Cal. 3d 859 - January, 1985)*. Consequently, state-assessed property may be revalued annually, and such assessments are not subject to the annual 2 percent inflation limitation of Article XIIIA.

Prior to the 1988-89 fiscal year, the SBE reported the value of each utility within each individual tax rate area to the auditor-controller of each county. Assembly Bill ("AB") 454 (Chapter 921, Statutes of 1987) revised the method of reporting and allocating property taxes generated from state-assessed properties so that only the taxable value of non-unitary properties and unitary railroad properties are reported for each tax rate area. As a result, the taxable value of the Projects does not include most state-assessed unitary property. The Agency does receive an allocation of property taxes generated from state-assessed unitary property taxes, a description of which is included below in the "Project Area Tax Revenue" section of this Part IV.

Assessment Appeals

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the SBE, respectively. The assessee of state-assessed property or locally assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIIIA, an assessee of locally assessed real property generally contests the original determination of the "base assessment value" of the parcel (i.e., the value assigned after a change of ownership or completion of new construction). In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value (i.e., market value) to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A base assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2 percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved by a taxpayer either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions that caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

Appeals of the taxable value for Project assessments could potentially lower taxable values, as currently reported, thereby reducing tax increment revenues. For this reason, currently pending and recently resolved assessment appeals filed by taxpayers in the Projects were reviewed. The results of this review are discussed in Part II of this Report.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Typically, the impact of utility appeals is on the statewide unitary value of a utility as determined by the SBE. As a result, the successful appeal of a utility may not impact the taxable value of the Projects but could impact the Projects' allocation of unitary property taxes, if any.

It should also be noted that the potential appeals impact as shown in the analyses in Section II of this Report, is based on estimated valuation reductions for each of the contested parcels. Actual impacts to tax increment revenues are dependent upon the actual revised value, if any, of assessments resulting from values determined by the Los Angeles County Assessment Appeals Board or through litigation, and upon the timing of successful appeals. The actual valuation impact to the Projects from a successful assessment appeal will occur on the assessment roll next prepared after the actual valuation reduction.

PROJECT AREA TAX REVENUE

Pursuant to Article XVI, Section 16 of the California Constitution and Section 33670 of the California Health and Safety Code, redevelopment agencies are eligible to receive that portion of levied property taxes that are in excess of levied property taxes generated from the application of tax rates to the base year value of redevelopment project areas. The primary source of the excess property taxes (the "tax increment") is dependent on the total taxable value of a project area. In addition, tax increment may also be generated from property tax sources, which are not included in the current taxable value of a project area, but may be directly or indirectly related to current or past taxable values. These sources include unitary property taxes and supplemental property taxes.

Tax Increment and Tax Rates

By subtracting the base year value of a project area from the total taxable value of secured and unsecured real and personal property, the county auditor-controller determines the incremental taxable value of a project area. The resultant tax increment revenue is determined by applying applicable tax rates to the incremental taxable value.

The estimates of tax increment revenues presented in this Report have been computed using tax rates comprised of a "basic" rate ($1.00 per $100 of taxable value) and of debt service tax rates levied for purposes of repaying voter-approved debt, as prescribed by Article XIIIA. Except for recently approved debt service levies, as discussed below, the revenues generated by the application of such rates to incremental assessed value in redevelopment projects accrue to redevelopment agencies instead of the levying entity. Debt service tax rates (rates in excess of $1.00 per $100 of taxable value) typically decline each year. A declining debt service tax rate is the result of several factors: an effective limit from July 1, 1978 until June 3, 1986 established by Article XIIIA (and since amended, as discussed below) on the amount of property taxes that can be levied (equal to the annual obligations or indebtedness approved by the voters); rising taxable values within the jurisdictions of taxing entities levying the approved debt service tax rate (which reduces the tax rate needed to be levied by the taxing entity to meet debt service requirements); and the eventual retirement, over time, of the voter-approved indebtedness.

On June 3, 1986, California voters approved a constitutional amendment to Article XIIIA that allows, by a two-thirds vote, the levy of an ad valorem property tax in excess of 1 percent to pay debt service on indebtedness for the acquisition and improvement of real property approved on or after July 1, 1978. Further, a constitutional amendment approved by voters on November 8, 1988 and implementing legislation, AB 89

(Chapter 250, Statutes of 1989), added subdivision (e) to Section 33670, which excludes from the calculation of tax increment revenues property taxes generated by any new voter-approved bonded indebtedness approved on or after January 1, 1989.

The Los Angeles Unified School District, the Los Angeles Community College District and the City of Los Angeles levy debt service tax rates to cover debt service on several series of bonds issued to provide public facilities. These debt service tax rates are not used in the determination of tax increment to be received by the Agency from the Projects. The rates are excluded from the estimates of tax revenue in this Report.

Unitary Property Taxes

Prior to 1988-89, the SBE reported the value of each utility within each individual tax rate area to the auditor-controller of each county. AB 454 (Chapter 921, Statutes of 1987) revised the method of reporting and allocating property tax revenues generated from most state-assessed unitary properties beginning with the 1988-89 fiscal year. Under AB 454, the state reports to each county auditor-controller only the countywide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to utilize to determine the allocation of unitary property taxes derived from countywide unitary value, as described below:

1) For revenue generated from the basic 1 percent tax rate, each jurisdiction, including redevelopment project areas, is to receive up to 102 percent of its prior year unitary property tax revenue. If countywide revenues generated from unitary properties are greater than 102 percent of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property taxes.

2) For revenue generated from the application of the debt service tax rate to countywide unitary taxable value, each jurisdiction, including redevelopment project areas, is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The provisions of AB 454 apply to all state-assessed property except railroads and non-unitary properties. Non-unitary valuation continues to be allocated to individual tax rate areas. Railroad unitary property, as of the 2007-08 fiscal year, is subject to the provisions of AB 2670 (Chapter 791, Statutes of 2006). AB 2670 treats railroad unitary property in a manner very similar to the treatment of utility unitary property under AB 454. All railroad unitary value within a county, except for a portion of the value of certain facilities constructed after 2006, is assigned to a single tax rate area. The revenues generated by the application of tax rates to this value is distributed among the other tax rates of the county by the same formula as specified by AB 454 – with two modifications. First, AB 2670 requires that school entities be allocated the same percentage of taxes from railroad values that they received in the prior fiscal year. Second, the bill provides that no revenue is to be allocated to redevelopment agencies for the 2007-08 fiscal year. Generally, Chapters 921 and 791, except for the exclusion of redevelopment agencies from a year of revenue, allow valuation growth or decline of state-assessed unitary property to be shared by all jurisdictions within a county.

Supplemental Property Taxes

Senate Bill ("SB") 813 (Chapter 498, Statutes of 1983) added sections 75 through 75.13 to the Revenue and Taxation Code, which provide for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the March 1 property tax lien date next following the change, and thus delayed the realization of increased property taxes from the new assessment. As enacted, SB 813 provided increased revenue generated from the supplemental assessment of property to be allocated exclusively to school districts for the 1983-84 and 1984-85 fiscal years. That provision was amended by SB 794 (Chapter 447, Statutes of 1984) such that only supplemental property tax revenues collected for 1983-84 were to be allocated exclusively to school districts. As a result of SB 794, applicable legislation now provides that the supplemental revenues are to be allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

AVAILABLE TAX INCREMENT

It is our understanding that the Agency intends to pledge those tax increment revenues described above, and allowed by law to be pledged, toward payments that will secure debt service on the proposed tax allocation bonds. The pledge of tax increment revenues toward the payment of debt service may be subject to adjustments to tax increment described below.

Property Tax Administrative Charges

In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. As enacted, SB 2557 appeared to exclude redevelopment agencies from either a reduction in tax increment revenues or a charge for a county's property tax administration costs. SB 1559 (Chapter 697, Statutes of 1992), was enacted in 1992 and clarified the provisions of SB 2557 as they relate to redevelopment agencies. In addition to including redevelopment agencies among entities subject to the property tax administration charge, SB 1559 also provides that amounts due as local agencies' contribution for such charge are to be allocated to the county as part of the overall system for the redistribution of property taxes (as opposed to being paid pursuant to invoices). The property tax administrative charges are included as a deduction to tax increment revenues, on Figure I-1 and on Tables II-1 and III-1 in Parts I, II and III of this Report.

The County Accounting Standards and Procedures Committee of the State Association of County Auditors (SACA) published a document in June 1997, entitled "Uniform Guidelines for the County Property Tax Administrative Costs." The Uniform Guidelines recommend that the administrative charges assigned to redevelopment projects should be based on revenue amounts that are not reduced by the amount of payments made to taxing entities to alleviate the fiscal detriment caused by redevelopment (payments pursuant to the pre-AB 1290 provisions of Section 33401). This approach to the treatment of the Section 33401 payments is a change from previous guidelines promulgated by SACA. The change is, however, the result of a recommendation of legal counsel for Los Angeles County and is, ostensibly, the manner that administrative costs for the Projects are now being calculated. The projections of tax revenue included in Part IV of this Report contain no adjustment reflective of the change in the SACA guidelines.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Health and Safety Code, requiring redevelopment agencies to set aside 20 percent of all tax increment allocated to redevelopment project areas adopted after December 31, 1976, into a low- and moderate-income housing fund. As provided by Section 33334.2, the low- and moderate-income housing requirement can be reduced or eliminated if a redevelopment 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 percent of the tax increment revenues is sufficient to meet the community's housing need; or 3) that other substantial or equivalent efforts, including the obligation of funds of equivalent impact from state, local and federal sources for low- and moderate-income housing are being provided for in the community.

As amended by AB 315 (Chapter 872, Statutes of 1991), Section 33334.2 restricts the ability to reduce or eliminate the low- and moderate-income housing requirement. A community can claim that no need exists, or can claim that less than 20 percent of tax increment revenue is sufficient, only if that claim is consistent with the housing element of the community's general plan. As of June 30, 1993, communities may no longer claim an "equivalent effort" exemption except for obligations incurred prior to May 1, 1991 that were entered into with the understanding that the "equivalent effort" exemption would remain intact.

The Project was adopted after January 1, 1977, and is therefore subject to the requirements of Chapter 1337. The Agency annually deposits at least 20% of revenues received from the Project into the housing fund.

AB 1290 Payments

Pursuant to law prior to 1994, taxing entities, by adopting a resolution prior to a redevelopment plan adoption, were able to receive revenues generated by the inflationary growth of assessed value in newly adopted redevelopment projects (former Section 33676). Also, the law allowed redevelopment agencies to make payments to affected taxing entities to mitigate the fiscal impact to such agencies as the result of a redevelopment plan adoption (former Section 33401). The resolutions that allowed the use of Section 33676 provisions are commonly referred to as 2% resolutions. The payments using Section 33401 were typically made pursuant to agreements between agencies and a taxing entities commonly referred to as "pass-through" agreements.

AB 1290 repealed the provisions that enabled 2% resolutions and pass-through agreements. AB 1290 replaces the payments resulting from the 2% resolutions and from the pass-through agreements with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and requires statutory pass-throughs to all taxing entities. AB 1290 payments are paid based on increases in revenue at several periods over the term of a project area's receipt of tax increment. The payments are in amounts determined per the following formulas:

(1) Commencing with the first fiscal year a project receives tax increment and continuing to the last fiscal year of such receipt, the Agency shall pay to the affected taxing entities an amount equal to 25 percent of the tax increments received by the Agency after deduction the amount required to be deposited in the Low and Moderate Income Housing Fund.

(2) Commencing with the 11th fiscal year and continuing through the last fiscal year in which the Agency receives tax increment, the Agency shall pay to the affected taxing entities, in addition to the amounts paid pursuant to item (1) above and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the Agency.

(3) Commencing with the 31st fiscal and continuing through the last fiscal year in which the Agency receives tax increments, the Agency shall pay to the affected taxing entities, in addition to the amounts paid pursuant to items (1) and (2) above and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the Agency.

The agency's legislative body (city council or board of supervisors) may elect to receive its share of payments generated by the first tier of payments. It is unclear whether second and third tier payments are reduced by the legislative body's share or if that share is distributed among the other taxing entities. For purposes of estimating AB 1290 payments in this report, we have assumed that there will be no reduction of the second and third tier payments.

Agencies may request the subordination of the AB 1290 payments to debt secured by a project's revenue. The request must be made prior to incurring the debt and is to be accompanied by substantial evidence that anticipated debt service and revenues will still allow the projected payments to the taxing entities to be made. An affected taxing entity may disapprove the agency's request within forty-five days of its receipt only if the entity finds, based upon substantial evidence, that the agency will not be able to pay both debt service and the payment due the taxing entity. Absent such disapproval the subordination is deemed approved.

Estimates of the AB 1290 payments due from the Project are included in the estimates of revenue provided in Part III of this Report.

TAX ALLOCATION PROCEDURES OF LOS ANGELES COUNTY

Tax Increment Revenue

Los Angeles County reports preliminary taxable values for redevelopment project areas by category in August of each fiscal year. Estimates of the amount of property tax revenues to be generated by the Projects for a given tax year are prepared by the County in late September or early October.

When computing tax increment revenues, the County subtracts the base year taxable value from the current year taxable value for each tax rate area comprising a redevelopment project to arrive at incremental taxable value by tax rate area. Secured and unsecured tax rates are applied to incremental taxable values by tax rate area, and the resulting revenues are then aggregated to arrive at the total tax increment revenues due a given redevelopment project area and annexed area(s), if applicable, of a redevelopment project.

Tax Receipts

Based upon the County's 2002-03 tax allocation schedule, 35 percent of the secured tax increment revenues are paid in December, followed by a 5 percent payment in January and the estimated balance of first installment (December 10) tax collections in late February. By April, 75 percent of the adjusted tax levy would have been allocated to the Agency. Collected taxes from the second installment (April 10) tax collections are apportioned in May. After the close of the fiscal year, final tax revenues due to the Agency are determined and allocated in July and August.

Unsecured tax revenues are allocated in three payments, beginning with approximately 80 percent paid in November. The subsequent balance of unsecured tax collections are generally made in March. After the close of the fiscal year, a final tax payment is made in August of the following fiscal year.

The County adjusts its allocation of taxes to reflect delinquencies within a redevelopment project area. As a result, tax receipts have varied from anticipated levies for redevelopment projects in Los Angeles County. These variations can also be attributable to successful assessment appeals or to roll changes, which can either increase or decrease a project area's taxable value. These changes also have a corresponding impact on tax revenues received by an agency. The findings of a review of Projects tax collection are presented in Part II.

LEGISLATION

There are no significant recently occurring or pending legislative or judicial items that would affect the analyses presented in this Report other than those already discussed.

APPENDIX B

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURES

The following is a summary of certain provisions contained in the Master Indenture and the Supplemental Indentures and is not a full description or statement thereof. In addition to the provisions summarized below, certain provisions of the Master Indenture and the Supplemental Indentures are described in the forepart in this Official Statement. Reference should be made to complete copies of the Master Indenture and the Supplemental Indentures for a full description of such documents.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE SUPPLEMENTAL INDENTURES

The following is a brief summary of certain provisions of the Master Indenture (referred to herein as the "2006 Indenture") not otherwise summarized in the text of this Official Statement. Certain additional covenants of the Agency set forth in the Supplemental Indentures (referred to herein as the "2008 Supplemental Indentures") are also set forth in this summary. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the 2006 Indenture and the 2008 Supplemental Indentures in their entireties, to which reference is made for the detailed provisions thereof.

THE 2006 INDENTURE

DEFINITIONS

Unless the context otherwise requires, the terms defined in this section shall for all purposes of the 2006 Indenture and of the Bonds and of any certificate, opinion, report, request or other related document have the meanings specified in the 2006 Indenture. Certain definitions below have been added or modified for use in this Official Statement, including, but not limited to, definitions of Bond Insurer and Series A Bond Insurer.

"Agency" means The Community Redevelopment Agency of the City of Los Angeles, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

"Agency Indebtedness" means any obligation the payment of which is to be made in whole or in part (but if in part, only to the extent of that part) out of taxes allocated to the Agency pursuant to Section 33670 of the Law. For purposes of determining compliance with the covenant contained in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – ISSUANCE OF ADDITIONAL BONDS – Limit on Indebtedness" the following assumptions shall apply:

(i) the principal and interest remaining to be paid on Agency Indebtedness shall include only such amounts as are scheduled to be paid by the Agency pursuant to the terms of the loan or other form of agreement under which such Agency Indebtedness was incurred. Agency Indebtedness without a stated maturity shall be deemed to mature on the final maturity date of the Bonds.

(ii) Amounts scheduled to be paid by the Agency shall include regularly scheduled principal and interest payments, including, amounts payable pursuant to any mandatory redemption provision.

(iii) Agency Indebtedness bearing interest at a variable rate of interest shall be deemed to accrue interest at the lesser of the maximum rate specified or 12% per annum.

Annual Debt Service; Maximum Annual Debt Service; Average Annual Debt Service

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from the sinking account as may be scheduled, (2) the principal amount of the Outstanding Serial Bonds, if any, falling due by their terms in such year, and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such year.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

"Average Annual Debt Service" means the aggregate Annual Debt Service divided by the number of twelve month periods ending on each Bond Year (including any fractional periods) remaining until the last maturity date of any Outstanding Bond.

"Authority Bonds" means the Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles Pooled Financing Bonds, Series M, issued concurrently with the issuance of the Series A Bonds, a portion of the proceed of which will be used to acquire the Series A Bonds.

"Authorized Investments" for the Series A Bonds 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:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association ("GNMA"), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

(iii) Investments in direct obligations in any of the following agencies which obligations are not fully guaranteed by the full faith and credit of the United States (a) senior obligations by the Federal Home Loan Bank System, (b) senior debt obligations and participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) issued by the Federal Home Loan Mortgage Corporation ("FHLMC") or senior debt obligations and mortgage- backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association ("FNMA"), (c) obligations of the Resolution Funding Corporation ("REFCORP") or (d) senior debt obligations of the Student Loan Marketing Association ("SLMA") (excluding securities that do not have a fixed par value/or whose terms do not promise a fixed dollar amount at maturity or call date).

(iv) Investments in (a) U.S. dollar denominated deposit accounts, federal funds, bankers acceptances, and certificates of deposit of any bank, which may include the Trustee and its affiliates, whose short term debt obligations are rated A-1+ by S&P and P-1 by Moody's and maturing no more than 360 calendar days after the date of purchase (holding company ratings are not considered as rating of the bank) or (b) Certificates of deposit of any bank, which certificates are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

(v) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

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

(vii) Pre-refunded municipal obligations defined as follows: any bonds or other obligations rated "AAA" by S&P and "Aaa" by Moody's (based on an irrevocable escrow account or fund) of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

(viii) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A1/A+" or higher by both Moody's and S&P.

The value of the above investments (paragraphs i-viii) shall be determined as follows: "Value," which shall be determined as of the end of each quarter, means that the value of any investments shall be calculated as follows:

(a) for securities:

(1) computed on the basis of the bid price last quoted by the Federal Reserve Bank of New York on the valuation date and printed in the Wall Street Journal or the New York Times; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealer or their parent holding companies must be rated at least investment grade by S&P and Moody's and must be market makers in the securities being valued.

(b) as to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest.

(ix) Repurchase agreements with (a) any domestic bank, or domestic branch of a foreign bank, the long term debt which is rated at least "A' by S&P and "A2" by Moody's; or (n) any broker-dealer with "retail customers" or a related affiliate thereof which broker dealer has, or the parent company (which guarantees the provider) of which has, long term debt rated at least "A" by S&P and "A2" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (c) any other entity rated at least "A" by S&P and "A2" by Moody's and acceptable to the Series A Bond Insurer, provided that:

a) the repurchase agreement is collateralized with the obligations described in paragraphs (i) or (ii) above; or with obligations described in paragraph (iii) (a) and (b) above.

b) the trustee will value the collateral securities at least weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage in not restored within (2) business days.

c) the market value of the collateral must be maintained at: 104% of the total principal of the repurchase agreement for obligations described in paragraphs (i) and (ii); 105% of the total principal of the repurchase agreement for obligations described in paragraph (iii) (a) and (b) above.

d) the trustee or a third party acting solely as agent therefore or for the issuer ("the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than be means of entries on the transferor's books).

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, and substituted collateral and all proceeds thereof.

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the issuer or the trustee (who shall give such direction if so directed by the Series A Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the issuer or trustee.

(x) Investment agreements with (a) a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long term debt is rated at least "AA" by S&P and "Aa2" by Moody's; or (B) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's; provided, that in all cases, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at least one business day prior to debt service payment dates on the Bonds and in such amounts as are necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the investment agreement provides that the Agency or the Trustee shall give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof:

d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, *required to be made to restore the amount of such funds to the level specified below in this the* definition of Authorized Investments;

e) the term of the investment agreement does not exceed seven years or such longer term as approved by the Series A Bond Insurer:

f) the Agency or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Agency and the Series A Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Series A Bond Insurer;

g) the investment agreement shall provide that if during its term:

  (1) the provider's rating by either S&P or Moody's falls below 'AA-' or 'Aa3' respectively, the provider must, at the direction of the Agency or the Trustee (who shall give such direction if, but only if, so directed by the Series A Bond Insurer), within 10 days of receipt of such direction, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") Permitted Collateral which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (ii) repay the principal of and accrued but unpaid interest on the investment (the choice of (i) or (ii) above shall be that of the Agency or Trustee, as appropriate), and

  (2) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" or "A3" by S&P or Moody's, as appropriate, the provider must, at the direction of the Agency or the Trustee (who shall give such direction if, but only if, so directed by the Series A Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment in either case with no penalty or premium to the Agency or Trustee;

h) the investment agreement shall state and an opinion of counsel shall be rendered that the trustee has a perfected first priority security interest in the Permitted Collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the trustee is in possession); and

i) the investment agreement must provide that if during its term (1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee (who shall give such direction if so directed by the Series A Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate; (2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate; (3) the provider fails to perform any of its obligations under the investment agreement (other than obligations related to payment or rating) and such breach continues for ten (10) Business Days or more after written notice thereof is given by the Trustee to the provider, it shall be an Event of Default; or (4) a representation or warranty made by the provider proves to have been incorrect or misleading in any material respect when made, it shall be an Event of Default.

Permitted Collateral for Investment Agreements ("Permitted Collateral"):

A. U.S. direct Treasury obligations,

B. Senior debt and/or mortgage backed obligations of GNMA, FNMA or FHLMC and other government sponsored agencies backed by the full faith and credit of the U.S. government and approved by the Series A Bond Insurer.

C. Collateral levels must be 104% of the total principal deposited under the investment agreement for U.S. direct Treasury obligations, GNMA obligations and full faith and credit U.S. government obligations and 105% of the total principal deposited under the investment agreement for FNMA and FHLMC.

D. The collateral must be held be a third party, segregated and marked to market at least weekly.

(xi) Forward delivery agreements approved in writing by the Series A Bond Insurer (supported by appropriate opinions of counsel).

(xii) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name, provided that such investment is valued not less frequently than each fiscal or calendar quarter.

(xiii) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest; provided, that such investment is held in the name or to the credit of the Trustee.

(xiv) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended; provided that such shares are held in the name and to the credit of the Trustee.

(xv) Other forms of investments approved in writing by the Series A Bond Insurer.

"Book Entry Bonds" means Bonds of any Series registered in the name of the Nominee of a Depository as the Owner thereof pursuant to the terms and provisions of the 2006 Indenture.

Bonds, Series A Bonds, Additional Bonds, Serial Bonds, Term Bonds

"Bonds" means the Series A Bonds and all Additional Bonds.

"Additional Bonds" means all tax allocation bonds of the Agency on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the 2006 Indenture, authorized and executed pursuant to the 2006 Indenture and issued and delivered in accordance with Article IV of the 2006 Indenture.

"Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Bond Insurance Policy, Series A Bond Insurance Policy

"Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the applicable Bond Insurer and insuring, in whole or in part, the payment of principal of and interest on a Series of Bonds.

"Series A Bond Insurance Policy" means the municipal bond insurance policy issued by the Series A Bond Insurer and insuring the payment when due of principal of and interest on the Authority Bonds a portion of the proceeds of which were used to purchase the Series A Bonds

Bond Insurer, Series A Bond Insurer

"Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Agency to insure the payment of principal of and interest on a Series of Bonds issued under the 2006 Indenture and any applicable Supplemental Indenture(s), when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds.

"Series A Bond Insurer" means Radian Asset Assurance Inc., a corporation organized under the laws of the State of New York or any successor thereto as issuer of the Series A Bond Insurance Policy. The provisions set forth in the 2006 Indenture (i) permitting actions directed by or instructions given by, or (ii) requiring consent, approvals and other actions by or (iii) requiring notices to the Bond Insurer or Series A Bond Insurer shall be applicable with respect to the Series A Bonds and the proceeds and revenues related to the Series A Bonds and to the 2006 Indenture (and for only so long as the Series A Bond Insurance Policy remains in effect and the Series A Bonds remain Outstanding) and shall not be applicable to any Additional Bonds issued in accordance with the terms of the 2006 Indenture (or the proceeds or revenues related thereto) except as otherwise set out in the Supplemental Indentures authorizing such Additional Bonds.

"Bond Year" means (i) with respect to the initial Bond Year, the period extending from the date the Series A Bonds are originally delivered to September 1, 2006, and (ii) thereafter; each twelve month period extending from the day immediately following September 1 in any calendar year to the September 1 in the next following calendar year, all dates inclusive. Notwithstanding the foregoing, the term Bond Year as used in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund" of the 2006 Indenture is defined in the manner set forth in the Rebate Certificate.

"Certificate of the Agency" means an instrument in writing signed by the Chairman, Vice-Chair, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Deputy Chief of Operations, Secretary, Assistant Secretary, Finance Director, or Senior Finance Officer, or any of them, or by any other officer of the Agency duly authorized by the Agency for that purpose.

"City" means the City of Los Angeles, California.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

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

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the 2006 Indenture to which such report relates;

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

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Dated Date" means the date of the initial issuance and delivery of the Bonds.

"Depository" means the securities depository acting as Depository pursuant to the 2006 Indenture.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Agency as its Fiscal Year in accordance with the Law and identified in writing to the Trustee.

"Housing Fund" means the Low and Moderate Income Housing Fund, established pursuant to Section 33334.3 of the Law with respect to the Project Area and held by the Agency.

"Indenture" means the 2006 Indenture and all Supplemental Indentures.

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service, 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

"Interest Payment Date" means each March 1 or September 1 on which interest on any Series of Bonds is scheduled to be paid.

"Investment Agreement" means an investment agreement or guaranteed investment contract by and between the Trustee and a national or state chartered bank or savings and loan institution (including the Trustee) or other financial institution, meeting the requirements of subparagraph (x) of the definition of Authorized Investments in the 2006 Indenture, respecting the investment of moneys in certain funds or accounts established pursuant to the 2006 Indenture.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the Health and Safety Code of the State of California, as amended), and all laws amendatory thereof or supplemental thereto.

"Letter of Representations" means the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to the issuance of a Series of Book Entry Bonds setting forth the basis on which the Depository serves as depository for such Book Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

"Moody's" means Moody's Investors Service, or any rating agency which is a successor thereto.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the 2006 Indenture.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – AMENDMENT OF THE INDENTURE – Disqualified Bonds") all Bonds except

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

(2) Bonds paid or deemed to have been paid within the meaning of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – DEFEASANCE – Discharge of Indebtedness"; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the 2006 Indenture.

"Owner" means the registered owner of any Outstanding Bond.

"Participants" means those broker dealers, banks and other financial institutions from time to time for which the Depository holds Book Entry Bonds as securities depository.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at 700 South Flower Street, Los Angeles, CA 90017, or such other office designated by the Trustee from time to time.

"Principal Payment Date" means any date on which principal on any Series of Bonds is scheduled to be paid.

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

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

"Qualified Reserve Instrument" means a letter of credit meeting the requirements of subparagraph (4)(b) of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund" or an insurance policy meeting the requirements of subparagraph (4)(c) of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund."

"Record Date" means the 15th day of the month next preceding each Interest Payment Date, whether or not such day is a business day.

"Reserve Account Requirement" means an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of each Series of Bonds Outstanding, (ii) 125% of Average Annual Debt Service or (iii) Maximum Annual Debt Service; provided that for the purpose of such calculations, there shall be excluded an amount of Bonds or debt service thereon equal to the amount deposited in any escrow fund established pursuant to the 2006 Indenture as described herein in subparagraph (c) under the caption "THE 2006 INDENTURE – ISSUANCE OF ADDITIONAL BONDS – Conditions for the Issuance of Additional Bonds."

"Securities Depositories" means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0004, Fax (212) 855-7232; or to such other addresses and/or such other securities depositories as the Agency may designate to the Trustee in writing.

"Series," when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the 2006 Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 2006 Indenture.

"Sinking Account Installment" means the amount of money required by or pursuant to the 2006 Indenture to be paid by the Agency on any single date toward the retirement of any particular Term Bonds of any particular Series on or prior to their respective stated maturities.

"Sinking Account Payment Date" means any date on which Sinking Account Installments on any Series of Bonds are scheduled to be paid.

"S&P" means Standard & Poor's Rating Group, or any rating agency which is a successor thereto.

"Supplemental Indenture" means any indenture then in full force and effect which has been entered into by the Agency and the Trustee, amendatory of or supplemental to the 2006 Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the 2006 Indenture.

"Tax Certificate" means the Tax Certificate dated the date of the original delivery of each Series of Bonds (except any Series of Bonds which is not intended to meet the requirements for tax exemption under the Code) relating to the requirements of the Code, as each such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Tax Exempt Bonds" means any Series of Bonds which the Agency intends to have comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

"Tax Revenues" means, for each Fiscal Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area, excluding (a) amounts, if any, required to be deposited by the Agency in the Housing Fund and used for certain housing purposes, *provided, however,* that such amounts shall not be excluded if and to the extent that the Agency makes such amounts available as Tax Revenues, (b) amounts payable to the County as the property tax administrative fee pursuant to California Revenue and Taxation Code Section 95.3, and (c) amounts, if any, payable pursuant to Section 33607.5 of the Law but only to the extent such amounts are not subordinated to the payment of debt service on the Bonds.

"Trustee" means such trustee at its principal corporate trust office in Los Angeles, California, as may be appointed by the Agency and acting as an independent trustee with the duties and powers provided in the 2006 Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the 2006 Indenture.

"Written Request of the Agency" means an instrument in writing signed by the Chairman of the Agency, Vice-Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Deputy Chief of Operations, Secretary, Assistant Secretary, Finance Director, or Senior Finance Officer of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose).

THE BONDS

Authorization. Bonds in unlimited amount may be issued at any time under and subject to the terms of the 2006 Indenture.

Redemption of Bonds; Selection of Bonds; Purchase in Lieu of Redemption; Notice.

The Agency shall provide written notice to the Trustee at least sixty (60) days prior to the redemption date specifying the principal amount of the Bonds to be redeemed.

Selection of Bonds. For purposes of selecting Bonds for redemption, the Bonds shall be deemed to be composed of $5,000 portions and any such portions may be separately redeemed. If some but not all of the Bonds have been redeemed by optional redemption, the total amount of all sinking account payments shall be allocated among such Sinking Account payments as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee.

Purchase in Lieu of Redemption. In lieu of redemption of any Term Bond, amounts on deposit in the Revenue Fund or in the Sinking Account therein may also be used, with the prior written consent of the Series A Bond Insurer, and withdrawn by the Trustee at any time, upon the Request of the Agency, for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date. The principal amount of any Term Bonds so purchased by the Trustee in any twelve month period ending 60 days prior to any Sinking Account Payment Date in any year shall be credited towards and shall reduce the principal amount of such Term Bonds required to be redeemed on such Sinking Account Payment Date in such year. Absent the prior written consent of the Series A Bond Insurer, in the event that such Term Bonds are purchased in lieu of redemption, such bonds shall be canceled upon purchase.

Notice. Notice of redemption shall be mailed by first class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) to one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories; provided, that with respect to Bonds registered in the name of the Authority, notice of redemption shall be provided to such Owner only. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

Redemption of the Bonds shall be permitted at any time without the Series A Bond Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Bondholders, or in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Agency.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the 2006 Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption. Upon surrender of any Bond redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of such redemption price of the Bonds so called for redemption shall have been duly provided, no interest shall accrue on such Bonds from and after the redemption date specified in such notice. All Bonds redeemed pursuant to the provisions of this section shall be canceled.

Transfer and Registration of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the 2006 Indenture, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any Bond or Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The Trustee shall not be required to issue, register the transfer of or exchange any Bond during the fifteen (15) days preceding any date established by the Trustee for selection of Bonds for redemption or any Bonds which have been selected for redemption.

Exchange of Bonds. The Bonds may be exchanged at the Principal Corporate Trust Office for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required to be made during the fifteen (15) days preceding any date established by the Trustee for selection of Bonds for redemption or any Bonds which have been selected for redemption.

Bond Registration Books. The Trustee will keep at the Principal Corporate Trust Office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Agency during regular business hours with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on said books as provided in the 2006 Indenture.

Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated in respect of the body of such Bond, or shall be believed by the Agency to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Agency and the Trustee, and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office, or upon the receipt of evidence satisfactory to the Agency and the Trustee of such destruction, theft or loss, and upon receipt also of indemnity satisfactory to the Agency and the Trustee, and upon payment of all expenses incurred by the Agency and the Trustee in the premises, the Agency shall execute and the Trustee shall authenticate and deliver at said Principal Corporate Trust Office a new Bond or Bonds of the same maturity and for the same aggregate principal amount, of like tenor and date, with such notations as the Agency shall determine, in exchange and substitution for and upon cancellation of the mutilated Bond, or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Agency upon receipt by the Trustee and the Agency of like proof, indemnity and payment of expenses.

Any such replacement Bonds issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued under the 2006 Indenture. The Agency and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under the 2006 Indenture or for the purpose of determining any percentage of Bonds Outstanding under the 2006 Indenture, but both the original and replacement Bond shall be treated as one and the same.

Temporary Bonds. Until definitive Bonds shall be prepared, the Agency may cause to be executed and delivered in lieu of such definitive Bonds and subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the Agency, one or more temporary typed, printed, lithographed or engraved Bonds in fully registered form, as may be authorized by the Agency, substantially of the same tenor and, until exchange for definitive Bonds, entitled and subject to the same benefits and provisions of the 2006 Indenture as definitive Bonds. If the Agency issues temporary Bonds it will execute and furnish definitive Bonds without unnecessary delay and thereupon the temporary Bonds may be surrendered to the Trustee at the Principal Corporate Trust

Office, without expense to the Owner in exchange for such definitive Bonds. All temporary Bonds so surrendered shall be canceled by the Trustee and shall not be reissued.

Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Agency for the financing or refinancing of the Project, or by any contracts made by the Agency in connection therewith, and shall not be dependent upon the completion of the financing or refinancing of the Project or upon the performance by any person of his obligation with respect to the Project, and the recital contained in the Bonds that the same are issued pursuant to the Law shall be conclusive evidence of their validity and of the regularity of their issuance.

Book Entry System. Prior to the issuance of any Series of Bonds issued under the 2006 Indenture, the Agency may provide that such Series of Bonds (a) shall be initially issued as Book Entry Bonds, and in such event, each maturity of such Series shall be in the form of a separate single fully registered Bond (which may be typewritten). Upon initial issuance, the ownership of each such Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Depository.

With respect to Book Entry Bonds, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book Entry Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in Book Entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the bond register, of any notice with respect to Book Entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in Book Entry Bonds to be redeemed in the event the Agency redeems such in part, or (iv) the payment of any Participant or any other person, other than an Owner as shown in the bond register, of any amount with respect to principal of, premium, if any, or interest on Book Entry Bonds. The Agency and the Trustee may treat and consider the person in whose name each Book Entry Bond is registered in the bond register as the absolute Owner of such Book Entry Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the bond register, shall receive a Bond evidencing the obligation of the Agency to make payments of principal, premium, if any, and interest pursuant to the 2006 Indenture. Upon delivery by the Depository to the Owner, Trustee and Agency of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions of the 2006 Indenture with respect to record dates, the word Nominee in the 2006 Indenture shall refer to such nominee of the Depository.

(b) In order to qualify the Book Entry Bonds for the Depository's book entry system, the Agency and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in such Book Entry Bonds other than the Owners, as shown on the bond register. By executing a Letter of Representations, the Trustee covenants to take all action necessary for all representations of the Trustee in such Letter of Representations to at all times be complied with. In addition to the execution and delivery of a Letter of Representations, the Agency and the Trustee, at the Agency's request, shall take such other actions, not inconsistent with the 2006 Indenture, as are reasonably necessary to qualify Book Entry Bonds for the Depository's book entry program.

(c) In the event (i) the Depository determines not to continue to act as securities depository for any Series of Book Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Agency will discontinue the book entry system with the Depository. If the Agency determines to replace the Depository with another qualified securities depository, the Agency shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturities of such Book Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Agency fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such bond register in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging such Bonds shall designate, in accordance with provisions of the 2006 Indenture.

(d) Notwithstanding any other provision of the 2006 Indenture to the contrary, so long as any Book Entry Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

ISSUANCE OF ADDITIONAL BONDS

Conditions for the Issuance of Additional Bonds. The Agency may at any time after the issuance and delivery of the initial Series of Bonds under the 2006 Indenture issue Additional Bonds payable from Tax Revenues and secured by a lien and charge upon Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the 2006 Indenture, but only subject to the following specific conditions, which are as provided in the 2006 Indenture made conditions precedent to the issuance of any such Additional Bonds:

(a) The Agency shall be in compliance with all covenants set forth in the 2006 Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly adopted by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates for such Additional Bonds; provided that Interest Payment Dates shall be on the same semiannual dates as the Interest Payment Dates for Series A Bonds;

(5) The denomination of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the 2006 Indenture.

(c) The Agency shall obtain a report of an Independent Redevelopment Consultant indicating that Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 150% of the Maximum Annual Debt Service on all Bonds that will be Outstanding immediately following the issuance of such Additional Bonds (the "Debt Service Coverage Ratio"); provided that such Debt Service Coverage Ratio shall be reduced to 125% if the report shows that each of the following conditions have been satisfied:

(i) the Base Year Value is not more than fifty percent (50%) of the Current Year Total Assessed Value (as such terms may be defined in the report); and

(ii) the Top 10 Total Assessed Value is not more than twenty percent (20%) of the Incremental Value (as such terms may be defined in the report).

For the purposes of the issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Additional Bonds shall provide that: (A) such proceeds shall be deposited or invested with or secured by an institution rated "AA" by S&P or "Aa" by Moody's (without regard to negative modifiers) at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (B) moneys may be transferred from said escrow fund only if Tax Revenues for the next preceding fiscal year will be at least equal to 125% of Maximum Annual Debt Service on all Outstanding Bonds less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (C) Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the 2006 Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from Tax Revenues and secured by a lien and charge on Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Bonds theretofore issued under the 2006 Indenture will be Outstanding nor shall anything contained in the 2006 Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Agency secured by a pledge of tax increment revenues (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the Bonds.

Procedure for the Issuance of Additional Bonds. All of the Additional Bonds shall be executed by the Agency for issuance under the 2006 Indenture and delivered to the Trustee and thereupon shall be delivered by the Trustee upon the Written Request of the Agency, but only upon receipt by the Trustee of the following documents or money or securities:

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(2) A Written Request of the Agency as to the delivery of such Additional Bonds;

(3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (a) the Agency has the right and power under the Law to execute and deliver the 2006 Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds, and the 2006 Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds have been duly and lawfully executed and delivered by the Agency, are in full force and effect and are valid and binding upon the Agency and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights), and no other authorization for the 2006 Indenture or the Supplemental Indenture authorizing the issuance of such Additional Bonds is

required; (b) the 2006 Indenture as supplemented creates the valid pledge which it purports to create of the Tax Revenues as provided in the 2006 Indenture, subject to the application thereof to the purposes and on the conditions permitted by the 2006 Indenture; and (c) such Additional Bonds are valid and binding special obligations of the Agency, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the 2006 Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds and entitled to the benefits of the 2006 Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds and the Law, and such Additional Bonds have been duly and validly authorized and issued in accordance with the Law and the 2006 Indenture and all such Supplemental Indentures;

(4) A Certificate of the Agency containing such statements as may be reasonably necessary to show compliance with the requirements of the 2006 Indenture; and

(5) Such further documents, money and securities as are required by the provisions of the 2006 Indenture and the Supplemental Indenture providing for the issuance of such Additional Bonds.

Refunding Bonds which do not defease all of the Bonds may be issued without the consent of the Series A Bond Insurer, provided there is no increase in maximum annual debt service.

Limit on Indebtedness. The Agency covenants with the Owners of all of the Bonds at any time Outstanding that it will not enter into any Agency Indebtedness or make any expenditure payable from taxes allocated to the Agency under the Law the payments of which, together with payments theretofore made or to be made with respect to other Agency Indebtedness (including, but not limited to the Bonds) previously entered into by the Agency, would exceed the then effective limit on the amount of taxes which can be allocated to the Agency pursuant to the Law and the Redevelopment Plan. [No additional bonds, notes, certificates, contracts or any other obligations payable from Tax Revenues shall be issued by the Agency unless no Event of Default shall have occurred and be continuing with respect to the Bonds.]

Variable rate indebtedness (indebtedness which does not bear a fixed rate of interest to maturity) and balloon indebtedness (indebtedness of which 25% or more of the principal amount comes or may come due in any one fiscal year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof) of the Agency, shall be subject to the prior approval of the Series A Bond Insurer.

Subordinate Debt. Any indebtedness of the Agency evidenced by the subordinated debt and any renewals or extensions thereof (herein called "Subordinated Indebtedness"), shall at all times be wholly subordinate and junior in right of payment to the Series A Bonds and any Additional Bonds issued under the 2006 Indenture (herein called "Superior Indebtedness"). Following an Event of Default under the 2006 Indenture, no Subordinated Indebtedness shall be paid prior to any Superior Indebtedness in any fiscal year of the Agency. [If the holder of the Subordinated Indebtedness is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Agency maintained with or held by such holder]. Subordinate Indebtedness shall provide that interest payment dates shall be on the same semiannual dates as the Interest Payment Dates for Series A Bonds.

TAX REVENUES; CREATION OF FUNDS

Pledge of Tax Revenues. All the Tax Revenues and all money in the Revenue Fund, established in the 2006 Indenture, and in the funds or accounts so specified and provided for in the 2006 Indenture (except the Rebate Fund), are as provided in the 2006 Indenture irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Tax Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the 2006 Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the 2006 Indenture. This pledge shall constitute a first and exclusive lien on the Tax Revenues and such other money for the payment of the Bonds in accordance with the terms thereof.

Revenue Fund; Debt Service Fund; Receipt and Deposit of Tax Revenues. There is as provided in the 2006 Indenture established a special fund to be known as the "Wilshire Center/Koreatown Recovery Redevelopment Project Tax Revenue Account of the Special Fund" (herein the "Revenue Fund") which shall be held by the Agency. The Agency shall promptly deposit all of the Tax Revenues received in any Bond Year in the Revenue Fund, until such time during such

Bond Year as the amounts on deposit in the Revenue Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Debt Service Fund in such Bond Year pursuant to this section. All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Revenue Fund during such Bond Year pursuant to the preceding sentence may be released from the pledge and lien under the 2006 Indenture. So long as any Bonds remain Outstanding under the 2006 Indenture, the Agency shall not have any beneficial interest in or right to the moneys on deposit in the Revenue Fund, except as may be provided in the 2006 Indenture.

There is as provided in the 2006 Indenture established a special fund to be known as the "Community Redevelopment Agency of the City of Los Angeles, Wilshire Center/Koreatown Recovery Redevelopment Project, Tax Allocation Bonds Debt Service Fund" (herein the "Debt Service Fund") which shall be held by the Trustee. On or before five (5) days preceding each Interest Payment Date, the Agency shall transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Fund an amount equal to the amount required to be transferred by the Trustee from the Debt Service Fund to the Interest Account, Principal Account, Sinking Account and Reserve Account pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund"; provided, that the Agency shall not be obligated to transfer to the Trustee in any Bond Year an amount of Tax Revenues which, together with other available amounts then in the Debt Service Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year, pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund." There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Debt Service Fund in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Debt Service Fund and the accounts therein, shall be sufficient to discharge all Outstanding Bonds as provided in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – DEFEASANCE – Discharge of Indebtedness."

All such Tax Revenues deposited in the Revenue Fund shall be disbursed, allocated and applied solely to the uses and purposes provided in the 2006 Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

Establishment of Funds. In addition to the Revenue Fund and the Debt Service Fund, there are further created a special trust fund to be held by the Agency called the "Community Redevelopment Agency of the City of Los Angeles, Wilshire Center/Koreatown Recovery Redevelopment Project Redevelopment Fund" (the "Redevelopment Fund"); and a special trust fund to be held by the Agency called the "Community Redevelopment Agency of the City of Los Angeles, Wilshire Center/Koreatown Recovery Redevelopment Project Expense Fund" (the "Expense Fund"). The Redevelopment Fund may be consolidated with any other similar fund or account established for the purposes described in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Redevelopment Fund"; provided, that proceeds of Bonds deposited in such fund shall be separately accounted for to the extent appropriate or as required by any Tax Certificate.

So long as any of the Bonds authorized in the 2006 Indenture, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by the 2006 Indenture and the Law.

Pursuant to the Tax Certificate, the funds and accounts established in the 2006 Indenture may be divided into sub accounts for each Series of Bonds issued under the 2006 Indenture, in order to perform the necessary rebate calculations.

Redevelopment Fund.

Moneys in the Redevelopment Fund shall be used and disbursed in the manner provided by law for the purpose of aiding in financing or refinancing the Project (or for making reimbursements to the Agency for such costs theretofore paid by it), including payment of all costs incidental to or connected with such financing or refinancing. Any balance of money remaining in the Redevelopment Fund after the date of completion of the financing or refinancing of the Project shall be deposited in the Revenue Fund.

The Agency shall pay moneys from the Redevelopment Fund upon receipt of requisitions drawn thereon and signed by at least one duly authorized officer or member of the Agency. The Agency warrants that each withdrawal from the Redevelopment Fund shall be made in the manner provided by law for the purpose of aiding in financing or refinancing the Project or for making reimbursements to the Agency for such costs theretofore paid by the Agency.

Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund. All moneys in the Debt Service Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Debt Service Fund (each of which is as provided in the 2006 Indenture created and each of which the Agency as provided in the 2006 Indenture covenants and agrees to cause to be maintained with the Trustee), in the following order of priority (except as otherwise provided in subsection (2) below):

(1) Interest Account;

(2) Principal Account;

(3) Sinking Account;

(4) Reserve Account;

All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(1) Interest Account. The Trustee shall set aside from the Debt Service Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) Principal Account. The Trustee shall set aside from the Debt Service Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year. In the event that there shall be insufficient money in the Debt Service Fund to make in full all such principal payments and Sinking Account Installments required to be made pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund"(3) of the 2006 Indenture in such Bond Year, then, subject to subparagraph (4) below, the money available in the Debt Service Fund shall be applied pro rata to the making of such principal payments and such Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming due and payable on the Principal Payment Date in such Bond Year.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they shall become due and payable.

(3) Sinking Account. The Trustee shall deposit in the Sinking Account an amount of money equal to the Sinking Account Installment payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account shall be used by the Trustee to redeem (or purchase) the Term Bonds in accordance with Article II of the 2006 Indenture.

(4) Reserve Account. (a) The Trustee shall set aside from the Debt Service Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as contemplated by the following paragraphs) equal to the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding, except that for so long as the Agency is not in default under the 2006 Indenture, any amount in the Reserve Account in excess of the Reserve Account

Requirement shall be transferred from the Reserve Account by the Trustee to the Debt Service Fund. Any withdrawal or any deficiency in the Reserve Account shall be replenished promptly from the Tax Revenues available in the Revenue Fund.

(b) In lieu of making the Reserve Account Requirement deposit in the Reserve Account or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of a letter of credit satisfying the requirements stated below), the Agency, with the consent of the Series A Bond Insurer, if any, and with prior written notification to S&P and/or Moody's, if the Bonds are then rated by S&P and/or Moody's, may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having, at the time of such delivery, unsecured debt obligations rated in at least the second highest rating category (without respect to any negative modifier) of S&P and/or Moody's, in an amount, together with moneys, Authorized Investments or insurance policies (as described in the 2006 Indenture as described herein in subparagraph (4)(c) under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund") on deposit in the Reserve Account, equal to the Reserve Account Requirement. Draws on such letter of credit must be payable no later than two (2) Business Days after presentation of a sight draft thereunder. Such letter of credit shall have a term of no less than three (3) years. The issuer of such letter of credit shall be required to notify the Trustee and the Agency whether or not the letter of credit will be extended no later than 13 months prior to the stated expiration date thereof. At least one year prior to the stated expiration of such letter of credit, the Agency shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year, or (iii) deliver to the Trustee an insurance policy satisfying the requirements of the 2006 Indenture as described herein in subparagraph (4)(c) under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund." Upon delivery of such replacement letter of credit, extended letter of credit, or insurance policy, the Trustee shall cancel and deliver the then effective letter of credit to the issuer thereof. If the Agency shall fail to deposit a replacement letter of credit, extended letter of credit or insurance policy with the Trustee, the Agency shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Reserve Account Requirement is on deposit in the Reserve Account no later than the stated expiration date of the letter of credit. If the Agency shall fail to make such deposits, the Trustee shall draw on such letter of credit on or before 10 days prior to its stated expiration date in an amount necessary to replenish the Reserve Account to the Reserve Account Requirement. If a drawing is made on the letter of credit, the Agency shall make such payments as may be required by the terms of the letter of credit or any obligations related thereto (but no less than quarterly pro rata payments) so that the letter of credit shall, absent the delivery to the Trustee of an insurance policy satisfying the requirements of the 2006 Indenture as described herein in subparagraph (4)(c) under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund" or the deposit in the Reserve Account of an amount sufficient to increase the balance in the Reserve Account to the Reserve Account Requirement, be reinstated in the amount of such drawing within one year of the date of such drawing.

(c) In lieu of making the Reserve Account Requirement in the Reserve Account or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of an insurance policy satisfying the requirements stated below), the Agency, with the consent of the Series A Bond Insurer, if any, and with prior written notification to S&P and/or Moody's, if the Bonds are then rated by S&P and/or Moody's, may also deliver to the Trustee an insurance policy securing an amount, together with moneys, Authorized Investments or letters of credit (as described in the 2006 Indenture as described herein in subparagraph (4)(b) under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund") on deposit in the Reserve Account, no less than the Reserve Account Requirement, issued by an insurance company licensed to issue insurance policies guaranteeing the timely payment of debt service on the Bonds and whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies), at the time of such delivery, are rated in the two highest rating categories (without respect to any negative modifier) of S&P and Moody's.

(d) If and to the extent that the Reserve Account has been funded with a combination of cash (or Authorized Investments) and a Qualified Reserve Instrument, then all such cash (or Authorized Investments) shall be completely used before any demand is made on such Qualified Reserve Instrument, and replenishment of the Qualified Reserve Instrument shall be made prior to any replenishment of any cash (or Authorized Investments). If the Reserve Account is funded, in whole or in part, with more than one Qualified Reserve Instrument, then any draws made against such Qualified Reserve Instrument shall be made pro-rata.

(5) Surplus. If during any Bond Year (i) Tax Revenues remain in the Debt Service Fund after providing (or otherwise reserving) for all deposits required by paragraphs (1) through (3) above during such Bond Year, (ii) the amounts on deposit in the Reserve Account equal the Reserve Account Requirement, (iii) Qualified Reserve Instruments, if any, used to fund the Reserve Account are fully replenished and all interest on amounts advanced under such Qualified Reserve Instruments has been paid to the provider thereof and (iv) the Agency is not in default under the 2006 Indenture, then the Trustee shall transfer any amount remaining on deposit in the Debt Service Fund to the Agency to be used for any lawful purpose of the Agency.

Investment of Moneys in Funds and Accounts. Upon the written direction of the Agency, received by the Trustee at least two (2) Business Days prior to such investment, moneys in the Debt Service Fund, the Interest Account, the Principal Account, any Sinking Account, the Expense Fund, the Rebate Fund or the Reserve Account shall be invested by the Trustee in Authorized Investments. In the absence of such instructions the Trustee shall invest in the investments described in paragraph (iv) of the definition of Authorized Investments, except as otherwise provided in this section. The obligations in which moneys in the Debt Service Fund, the Interest Account, the Principal Account or any Sinking Account are so invested shall mature prior to the date on which such moneys are estimated to be required to be paid out under the 2006 Indenture. The obligations in which moneys in the Reserve Account are so invested shall be invested in obligations maturing no more than five years from the date of purchase by the Agency Trustee or on the final maturity date of the related Series of Agency Bonds, whichever date is earlier; provided, however, that if an obligation may be redeemed at par on the business day prior to each Interest Payment Date during which such obligation is outstanding, such obligation may have any maturity. In addition, amounts held in the related Reserve Account for the Series A Bonds shall be invested only in Authorized Investments for the Series A Bonds described in paragraphs (i), (ii) (iii) and (iv) and, with the consent of the Series A Bond Insurer, (x) of the definition of said Authorized Investments. Any interest, income or profits from the deposits or investments of all funds (except the Revenue Fund, Redevelopment Fund, Expense Fund and Rebate Fund) and accounts shall be deposited in the Debt Service Fund. All earnings on amounts in the Revenue Fund, Expense Fund, Redevelopment Fund and Rebate Fund shall remain in such funds. For purposes of determining the amount on deposit in any fund or account held under the 2006 Indenture, all Authorized Investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any). Except as otherwise provided in this section, Authorized Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account. Amounts deposited in the Revenue Fund and the Redevelopment Fund may be invested in any investment permitted by law for Agency funds.

No forward delivery agreements, hedge, investment agreement, purchase and resale agreements or par-put agreements may be used with respect to the investment of any fund or account established under the 2006 Indenture without the prior written consent of the Series A Bond Insurer.

The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of investments under the 2006 Indenture. The Trustee may commingle moneys in any of the funds or accounts created under the 2006 Indenture for purposes of investment. The Trustee may conclusively rely on the instructions of the Agency that the Authorized Investment is a legal investment under the laws of the State of California for such purposes. Absent negligence, bad faith or willful misconduct by the Trustee, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this section.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency will not receive such confirmations from the Trustee to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the 2006 Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the 2006 Indenture.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account, the value of Authorized Investments credited to such fund or account shall be calculated at market value at least quarterly.

Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, the 2006 Indenture shall be deemed to be and shall constitute a contract between the Agency and the Trustee for the benefit of Owners from time to time of all Bonds issued under the 2006 Indenture and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds authorized, executed, issued and delivered under the

2006 Indenture, subject to the agreements, conditions, covenants and provisions contained in the 2006 Indenture; and the agreements and covenants provided in the 2006 Indenture to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any Bonds over any other Bonds.

COVENANTS OF THE AGENCY

Punctual Payment. The Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds, in strict conformity with the terms of the Bonds and of the 2006 Indenture and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Bonds and of the Indenture.

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Tax Revenues, except as provided in the 2006 Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Tax Revenues (other than Additional Bonds). In the event the Agency issues any subordinate debt payable from Tax Revenues remaining after payment of debt service on the Bonds, such debt shall provide that it may not be accelerated without the consent of the Series A Bond Insurer. The Agency has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Tax Revenues that ranks on a parity with or prior to the pledge granted under such 2006 Indenture, except to secure the obligations under the 2006 Indenture that will be outstanding upon issuance of the Series A Bonds.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and business like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing contained in the 2006 Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

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

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement of the Agency prepared by an Independent Certified Public Accountant. The Agency will furnish a copy of such audited financial statement to any Owner upon request. The Trustee is as provided in the 2006 Indenture authorized to furnish and the Agency will furnish to the Trustee such reasonable number of copies of such audited financial statement as may be required by the Trustee for distribution (at the expense of the Agency) to investment bankers, security dealers and others interested in the Bonds. The Trustee shall have no duty or responsibility to review such financial statements.

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

Payment of Taxes and Other Charges. Subject to the provisions of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – COVENANTS OF THE AGENCY – Taxation of Leased Property," the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the 2006 Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Project. The Agency will commence the financing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Tax Revenues.

Disposition of Property in Project Area. Except as provided below, the Agency will not authorize the disposition of any 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 for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the 2006 Indenture, or property to be used for public streets or public off street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the 2006 Indenture, shall comprise more than ten per cent (10%) of the assessed valuation of the property in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the 2006 Indenture, shall comprise more than ten per cent (10%) of the assessed valuation of the property in the Project Area, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Tax Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Tax Revenues will be materially reduced by such proposed disposition, the Agency shall not proceed with such proposed disposition unless, as a condition precedent to such proposed disposition, the Agency shall require that such new owner or owners either:

(1) Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency and deposited with the Trustee as Tax Revenues if such property were assessed and taxed in the same manner as privately owned non exempt property, which payment shall be made within thirty (30) days after taxes for each year would become payable to the taxing agencies for non exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the Agency a single sum equal to the amount estimated and certified to the Agency and Trustee by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated for all purposes as Tax Revenues.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Tax Revenues will not be materially reduced by such proposed amendment, the Agency may adopt such amendment. If the Consultant's Report concludes that Tax Revenues will be materially reduced by such proposed amendment, the Agency shall not adopt such proposed amendment.

Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Los Angeles County. The Agency shall, in addition, comply with all requirements of the Law relating to the deposit of tax revenues allocated to the Agency from the Project Area in the Low and Moderate Income Housing Fund, established by the Agency pursuant to Section 33334.3 of the Law.

Investment Agreement. The Agency covenants that it will not modify or amend any Investment Agreement without first obtaining the written consent of the Series A Bond Insurer, if any, and an opinion of nationally recognized bond counsel to the effect that the proposed modification or amendment will not constitute a violation of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Investment of Moneys in Funds and Accounts" or cause interest on the Bonds of any Series which are intended to be Tax Exempt Bonds to be included in gross income for federal income tax purposes.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the 2006 Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the 2006 Indenture.

Tax Covenants; Rebate Fund.

(a) In addition to the accounts created pursuant to Article V, the Trustee shall establish and maintain with respect to each Series of Bonds issued under the 2006 Indenture (other than any Series of Bonds which the Agency shall certify to the Trustee is exempt from the requirements of Section 148 of the Code related to rebate of arbitrage earnings) a fund separate from any other fund or account established and maintained under the 2006 Indenture designated as the "Series _______ Rebate Fund" hereinafter in this section referred to as the "Rebate Fund." The provisions of this section shall apply separately to each Rebate Fund established for each Series of Bonds. Upon the written direction of the Agency, there shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Pledge of Tax Revenues," the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Revenue Fund; Debt Service Fund; Receipt and Deposit of Tax Revenues," the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – TAX REVENUES; CREATION OF FUNDS – Investment of Moneys in Funds and Accounts" and the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – DEFEASANCE – Discharge of Indebtedness" relating to the pledge of Tax Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this the 2006 Indenture as described this section (which is incorporated in the 2006 Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the Agency, and shall have no liability or responsibility to enforce compliance by the Agency with the terms of the Tax Certificate or any of the covenants of the Agency described in this section.

(b) The Agency shall not use or permit the use of any proceeds of Bonds or any funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code of "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Agency shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Agency shall comply with all requirements of Sections 148 and 149(d) of the Code to the extent applicable to the Bonds. In the event that at any time the Agency is of the opinion that for purposes of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund"(b) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the 2006 Indenture, the Agency shall so instruct the Trustee under the 2006 Indenture in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Agency shall not use or permit the use of any proceeds of the Bonds or any funds of the Agency, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(c) Notwithstanding any provisions of this section, if the Agency shall provide to the Trustee an opinion of nationally recognized bond counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Bonds, the Trustee and the Agency may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding Article VIII of the 2006 Indenture, the covenants under the 2006 Indenture shall be deemed to be modified to that extent.

(d) The provisions of this section shall not apply to the Series A-H Bonds nor to any Series of Bonds which the Agency shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal tax purposes.

Agreements with Other Taxing Agencies. So long as any Bonds are Outstanding, the Agency shall not enter into any agreement which operates as a waiver of the Agency's right to receive Tax Revenues under the Redevelopment Plan, unless the Agency's obligations under such agreement are made expressly subordinate and junior to the Agency's obligations under the 2006 Indenture and the Bonds.

THE TRUSTEE

Appointment of Trustee. The Bank of New York Trust Company, N.A., a national banking association organized and existing under and by virtue of the laws of the United States, is as provided in the 2006 Indenture appointed Trustee by the Agency for the purpose of receiving all moneys required to be deposited with the Trustee under the 2006 Indenture and to allocate, use and apply the same as provided in the 2006 Indenture. The Agency agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus, or a member of a bank holding company system the lead bank of which shall have a combined capital and surplus, of at least $50,000,000, and subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is as provided in the 2006 Indenture authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee as provided in the 2006 Indenture accepts the trusts imposed upon it by the 2006 Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the 2006 Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the 2006 Indenture, the Trustee (unless other evidence is specifically prescribed in the 2006 Indenture) may, in the absence of bad faith on its part, rely upon a Certificate of the Agency.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the 2006 Indenture at the request or direction of any of the such Owners or Series A Bond Insurer pursuant to the 2006 Indenture, unless such Owners or applicable Bond Insurer shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(e) The Trustee, prior to the occurrence of an Event of Default under the 2006 Indenture and after the curing or waiving of all such Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the 2006 Indenture and no covenants of or against the Trustee shall be implied in the 2006 Indenture. In case an Event of Default under the 2006 Indenture has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the 2006 Indenture, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(f) The Trustee may execute any of the trusts or powers under the 2006 Indenture and perform the duties required of it under the 2006 Indenture either directly or by or through attorneys or agents, shall not be liable for the acts or omissions of such attorneys or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the 2006 Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the 2006 Indenture.

(g) The Trustee shall not be responsible for any recital in the 2006 Indenture or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the 2006 Indenture or intended to be secured as provided in the 2006 Indenture and makes no representation as to the validity or sufficiency of the Bonds or the 2006 Indenture. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Agency under the 2006 Indenture. The Trustee shall not be responsible for the application by the Agency of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured as provided in the 2006 Indenture with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Agency with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in the capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, consent, certificate, order, affidavit, letter, telegram, facsimile or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the 2006 Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the 2006 Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or to be deemed to have notice of any Event of Default under the 2006 Indenture except failure by the Agency to make any of the payments to the Trustee required to be made by the Agency pursuant hereto, unless the Trustee shall be specifically notified in writing of such default by the Agency or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notice or other instruments required by the 2006 Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the 2006 Indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Agency pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the 2006 Indenture.

(n) Notwithstanding anything elsewhere in the 2006 Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the 2006 Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Agency to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the 2006 Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the 2006 Indenture relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this section.

(q) No implied covenants or obligations shall be read into the 2006 Indenture against the Trustee.

(r) Notwithstanding any other provision of the 2006 Indenture, in determining whether the rights of the Owners will be adversely affected by and action taken or omitted under the 2006 Indenture, the Trustee shall consider the effect on the Owners as if there were no Bond Insurance Policy.

(s) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(t) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(u) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the 2006 Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

(v) The Trustee shall not be liable in connection with the performance of its duties under the 2006 Indenture, except for its own negligence or willful misconduct.

(w) The Trustee's rights to immunities and protection from liability under the 2006 Indenture and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds.

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered under the 2006 Indenture and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default under the 2006 Indenture, but only upon any Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held under the 2006 Indenture for the foregoing fees, charges and expenses incurred by it. Any amounts advanced by the Trustee under the 2006 Indenture shall be reimbursed, together with interest thereon at the maximum rate allowed by law.

Notice to Bond Owners of Default. If an Event of Default under the 2006 Indenture occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the 2006 Indenture as described herein under subsection (k) under the caption "THE 2006 INDENTURE – THE TRUSTEE – Acceptance of Trusts," then the Trustee shall, in addition to any notice required under the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – MISCELLANEOUS – Content of Certificates and Reports," within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Bond and to the Series A Bond Insurer, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice to the Owners (but shall give such notice to the Series A Bond Insurer) if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Intervention by Trustee. In any judicial proceeding to which the Agency is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds under the 2006 Indenture, the Trustee may intervene on behalf of such Bond Owners, and subject to the 2006 Indenture as described herein in subsection (c) under the caption "THE 2006 INDENTURE – THE TRUSTEE – Acceptance of Trusts," shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and the Series A Bond Insurer or, in the case of breach by the Trustee of its obligations under the 2006 Indenture, by the applicable Bond Insurer(s) alone. The Agency may also remove the Trustee at any time, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth in the 2006 Indenture. Prior to an Event of Default under the 2006 Indenture, the Series A Bond Insurer shall have the right to remove the Trustee for cause.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee under the 2006 Indenture, such notice to be given to the Agency and the applicable Bond Insurer(s) by registered or certified mail. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Agency shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Removal of Trustee" or the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Resignation by Trustee," respectively, with the prior written consent of the Series A Bond Insurer, the Agency shall promptly appoint a successor Trustee. In the event the Agency shall for any reason whatsoever fail to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Removal of Trustee" or within 30 days following the receipt of notice by the Agency pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Resignation by Trustee," the Trustee may, at the expense of the Agency, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Appointment of Trustee." Any such successor Trustee appointed by such court shall become the successor Trustee under the 2006 Indenture notwithstanding any action by the Agency purporting to appoint a successor Trustee following the expiration of such 30 day period.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – THE TRUSTEE – Appointment of Trustee," shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the 2006 Indenture to the contrary notwithstanding.

Concerning any Successor Trustee. Every successor Trustee appointed under the 2006 Indenture shall execute, acknowledge and deliver to its predecessor and also to the Agency an instrument in writing accepting such appointment under the 2006 Indenture and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Agency, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the 2006 Indenture; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee under the 2006 Indenture to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties as provided in the 2006 Indenture vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency.

Appointment of Co Trustee. It is the purpose of the 2006 Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the 2006 Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted in the 2006 Indenture to the Trustee or hold title to the properties, in trust, as granted in the 2006 Indenture, or take any other action that may be desirable or necessary in connection therewith, it may be necessary that the Trustee or the Agency appoint an additional individual or institution as a separate trustee or co trustee. The following provisions of this section are adopted to these ends.

In the event that the Trustee or the Agency appoints an additional individual or institution as a separate trustee or co trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the 2006 Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co trustee but only to the extent necessary to enable such separate trustee or co trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate trustee or co trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co trustee, or a successor to either, shall become incapable of acting, shall resign or shall be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co trustee.

Limited Liability of Trustee. No provision in the 2006 Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the 2006 Indenture. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Series A Bond Insurer or of the Owners of at least 25% in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the 2006 Indenture or exercising any power conferred upon the Trustee under the 2006 Indenture. The Agency shall indemnify and save the Trustee, its officers, employees, directors and agents harmless from and against all claims, losses, costs, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of the Trustee's exercise of performance of any of the Trustee's powers and duties under the 2006 Indenture; provided, that the Agency shall not be liable for actions caused by the Trustee's own negligence or willful misconduct. The Agency as provided in the 2006 Indenture agrees to indemnify and hold harmless the Trustee for any cost, expense, claim, loss or liability incurred by the Trustee, including, without limitation, fees and expenses of its attorneys, not relating to its own negligence or willful misconduct. The obligations of the Agency under this section shall survive the resignation or removal of the Trustee under the 2006 Indenture and defeasance of the Bonds.

AMENDMENT OF THE INDENTURE

Amendment by Consent of Owners. The Indenture and the rights and obligations of the Agency and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – AMENDMENT OF THE INDENTURE – Disqualified Bonds," and the written consent of the Series A Bond Insurer, if any, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the 2006 Indenture of any Bond, without the express written consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created in the 2006 Indenture for the benefit of the Bonds, except as expressly permitted by the 2006 Indenture, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon execution, without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the 2006 Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved in the 2006 Indenture to or conferred upon the Agency;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the 2006 Indenture, or in regard to questions arising under the 2006 Indenture, as the Agency may deem necessary or desirable and not inconsistent with the 2006 Indenture, and which shall not adversely affect the interest of the Owners;

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

(d) To modify, amend or supplement the 2006 Indenture in such manner as to permit the qualification of the 2006 Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(e) If necessary to maintain the exclusion of interest on Tax Exempt Bonds of any Series from gross income for federal income tax purposes;

(f) To the extent necessary to obtain a Bond Insurance Policy, to obtain a rating on the Bonds or in connection with satisfying all or a portion of the Reserve Account Requirement by crediting a letter of credit or Bond Insurance Policy to the Reserve Account; or

(g) For any other purpose that does not materially adversely affect the interests of the Owners.

The written consent of the Series A Bond Insurer is required for any such amendment except as described in subparagraph (c) of this section.

Any rating agency rating the Bonds must receive notice of each amendment to the 2006 Indenture and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption. The Series A Bond Insurer shall be provided by the Agency with a full transcript of all proceedings relating to the execution of any such amendment.

Disqualified Bonds. Bonds owned or held by or for the account of the Agency or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in the 2006 Indenture provided for, and shall not be entitled to consent to, or take any other action in the 2006 Indenture provided for. Upon request of the Trustee, the Agency and the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this section and the Trustee may conclusively rely on such certificate.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Agency may determine that the Bonds may bear a notation, by endorsement in form approved by the Agency, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bond. If the Agency shall so determine, new Bonds so modified as, in the opinion of the Agency, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of this article shall not prevent any Owner, with the consent of the Series A Bond Insurer, from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Opinion of Counsel. The Trustee may conclusively accept an opinion of counsel to the Agency that an amendment of the 2006 Indenture is in conformity with the provisions of this article.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default and Acceleration of Maturities. If one or more of the following events (herein called "Events of Default") shall happen, that is to say:

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

(b) If default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(c) If default shall be made by the Agency in the observance of any of the agreements, conditions or covenants on its part in the 2006 Indenture or in the Bonds contained, and such default shall have continued for a period of 30 days after the Agency shall have been given notice in writing of such default by the Trustee; provided, however, that such default shall not constitute an Event of Default under the 2006 Indenture if the Agency shall, with the prior written consent of the Series A Bond Insurer, commence to cure such default within said 30 day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time; or

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

(e) If default shall be made by the Agency in the observance of any of the Subordinate Debt provisions under the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – ISSUANCE OF ADDITIONAL BONDS – *Subordinate Debt*";

then, and in each and every such case during the continuance of such event of default, but not without the prior written consent of the applicable Bond Insurer(s), the Trustee may, and upon the written request of the Owners of not less than twenty five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the 2006 Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that any such declaration shall be subject to the prior written consent of the applicable Bond Insurer (s), if any.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of ten per cent (10%) per annum on such overdue installments of principal and interest, and the fees and expenses of the Trustee, including attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least twenty five per cent (25%) in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences; provided, however, that no such rescission or annulment shall occur without the prior written consent of the applicable Bond Insurer(s), if any. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon an Event of Default, all Tax Revenues shall be immediately deposited with the Trustee.

Application of Funds Upon Acceleration. All money in the funds and accounts provided for in the 2006 Indenture upon the date of the declaration of acceleration by the Trustee as provided in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default and Acceleration of Maturities," and all Tax Revenues thereafter received by the Agency under the 2006 Indenture, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order and any outstanding fees and expenses of the Trustee:

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, attorneys and counsel;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of ten per cent (10%) per annum, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Other Remedies of Owners. Any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the Agency and any of the members, officers and employees of the Agency, and to compel the Agency or any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the 2006 Indenture;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an event of default (as defined in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Events of Default and Acceleration of Maturities"), by a suit in equity to require the Agency and its members, officers and employees to account as the trustee of an express trust.

Non Waiver. Nothing in this article or in any other provision of the 2006 Indenture, or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the 2006 Indenture, out of the Tax Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the 2006 Indenture.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

For such time as the Series A Bond Insurance Policy shall be in full force and effect and so long as the Series A Bond Insurer is not in default under such Series A Bond Insurance Policy, no waivers shall be granted by any party to the 2006 Indenture affecting the Series A Bonds without the prior written consent of the Series A Bond Insurer.

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

Actions by Trustee as Attorney-in Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the 2006 Indenture may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is as provided in the 2006 Indenture appointed (and the successive respective Owners of the Bonds issued under the 2006 Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact; provided, however, the Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense including without limitation fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy under the 2006 Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the 2006 Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Owners' Direction of Proceedings. Except as provided in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – EVENTS OF DEFAULT AND REMEDIES OF OWNERS – Series A Bond Insurer's Direction of Proceedings," anything in the 2006 Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, with the written consent of the Series A Bond Insurer, if any, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the 2006 Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the 2006 Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the 2006 Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are as provided in the 2006 Indenture declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the 2006 Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the 2006 Indenture or the rights of any other Owners of Bonds, or to enforce any right under the 2006 Indenture, the Law or other applicable law with respect to the Bonds, except in the manner provided in the 2006 Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the 2006 Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the 2006 Indenture.

Series A Bond Insurer's Direction of Proceedings. Notwithstanding any other provision of the 2006 Indenture, so long as the Series A Bond Insurance Policy is in effect with respect to the Series A Bonds, upon the occurrence and continuance of an Event of Default under the 2006 Indenture, the Series A Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series A Bonds or the Trustee for the benefit of said Owners under the 2006 Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds and (ii) the right to annul any declaration of acceleration, and the Series A Bond Insurer shall also be entitled to approve all waivers of Events of Default.

Notwithstanding anything in the 2006 Indenture to the contrary: (i) if the Series A Bond Insurer has failed to make any payments under the Series A Bond Insurance Policy, and such failure remains unremedied, all rights accruing to the Series A Bond Insurer under the 2006 Indenture with respect to the giving of instructions, approvals or consents shall cease to be in force and effect until such time as such failure to make such payments has been remedied, and (ii) the Trustee undertakes no responsibility for delivering any notices to the Series A Bond Insurer except as expressly provided in the 2006 Indenture and no act or omission of the Trustee shall affect or impair in any manner the enforceability of the Series A Bond Insurance Policy.

DEFEASANCE

Discharge of Indebtedness. If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the 2006 Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Tax

Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of such Bonds under the 2006 Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Agency all money or securities held by them pursuant to the 2006 Indenture which are not required for the payment of the interest due on and the principal of such Bonds other than the moneys, if any, in the Rebate Fund.

Bonds for the payment of which money shall have been set aside (through deposit by the Agency or otherwise) to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the first paragraph of this section.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been deposited with the Trustee either (a) money in an amount which shall be sufficient, or (b) non-redeemable obligations of the United States or those for which the full faith and credit of the United States are pledged (or cash held in certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC) for the timely payment of principal and interest, in such amount as an Independent Certified Public Accountant or other qualified firm shall determine in a written report filed with the Trustee (and, with respect to the Series A Bonds, filed with the Series A Bond Insurer in form and substance satisfactory to the Series A Bond Insurer and upon which report the Trustee and the Series A Bond Insurer may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the 2006 Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates, (2) the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date upon which money is to be available for the payment of the principal of such Bonds and (3) there shall have been delivered to the Trustee (and, for the Series A Bonds, the Series A Bond Insurer) an opinion of nationally recognized bond counsel to the effect that, assuming compliance by the Agency, the Trustee or their agent with the requirements set forth in this section, and assuming the sufficiency of the deposits (including anticipated investment earnings thereon, if any) to pay principal, interest and redemption premiums, if any, on the Bonds, no further action by or on the part of the Agency will be required under the 2006 Indenture for the defeasance of the Bonds.

Neither securities nor money deposited with the Trustee pursuant to this section nor interest or principal payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the Agency in securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall be deposited in the Revenue Fund.

For the purposes of this section, insured Bonds may be defeased only with securities as set forth in subparagraph (1)(b) above which constitute Available Monies. Available Monies shall mean any monies on deposit with a trustee for the benefit of bondholders which are (i) bond proceeds or refunding bond proceeds, (ii) amounts on deposit for a period of 124 consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the entity; which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the entity from whom the money is received; and (v) no forward delivery agreements, hedge, investment agreement, purchase and resale agreements or par-put agreements may be used with respect to the investment of any funds or securities defeasing the Series A Bonds without the prior written consent of the Series A Bond Insurer.

Unclaimed Moneys. Anything in the 2006 Indenture to the contrary notwithstanding to the extent permitted by law and subject to the escheat laws of the State, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the said date when such Bonds or interest thereon become due and payable, shall be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense of the Agency, cause to be mailed to the registered Owners of such Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency.

MISCELLANEOUS

Liability of Agency Limited to Tax Revenues. Notwithstanding anything in the 2006 Indenture contained, the Agency shall not be required to advance any money derived from any source of income other than the Tax Revenues for the payment of the interest on or the principal of the Bonds or for the performance of any covenants contained in the 2006 Indenture, other than the covenants contained in the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund." The Agency may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose. The Agency's obligation to pay the Rebate Requirement to the United States of America pursuant to the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund," shall be considered the general obligation of the Agency and shall be payable from any available funds of the Agency.

The Bonds are limited obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues, and the Agency is not obligated to pay them except from the Tax Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Tax Revenues, and the Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the City of Los Angeles, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Benefits of Indenture Limited to Parties and Bond Insurer. Nothing in the 2006 Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the applicable Bond Insurer(s) and the Owners of the Bonds, any right, remedy or claim under or by reason of the 2006 Indenture. Any covenants, stipulations, promises or agreements in the 2006 Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer(s) and the Owners of the Bonds. The Series A Bond Insurer is as provided in the 2006 Indenture explicitly recognized as being a third-party beneficiary under the 2006 Indenture and a party entitled to (i) notify the Trustee of the occurrence of an event of default, and (ii) request the Trustee to intervene in judicial proceedings that affect the Series A Bonds or the security therefore.

Successor Is Deemed Included in All References to Predecessor. Whenever in the 2006 Indenture either the Agency or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Agency, that are presently vested in the Agency or such member, officer or employee, and all the agreements, covenants and provisions contained in the 2006 Indenture by or on behalf of the Agency or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any request, consent, declaration or other instrument which the 2006 Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the 2006 Indenture, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the 2006 Indenture, the amount of Bonds transferable by delivery held by any person executing such request, declaration or other instrument or writing as a Owner, and the numbers thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by a trust company, bank or other depositary wherever situated, showing that at the date therein mentioned such person had on deposit with such depositary the Bonds described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depositary that the Bonds therein referred to will not be surrendered without the surrender of the certificate to the depositary, except with the consent of the Trustee. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books provided for in the 2006 Indenture.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing contained in the 2006 Indenture shall relieve any member, officer or employee of the Agency from the performance of any official duty provided by law.

Acquisition of Bonds by Agency. All Bonds acquired by the Agency, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Destruction of Canceled Bonds. Whenever in the 2006 Indenture provision is made for return to the Agency of any Bonds which have been canceled pursuant to the provisions of the 2006 Indenture, the Trustee shall destroy such Bonds and furnish to the Agency a certificate of such destruction.

Content of Certificates and Reports. Every certificate or report with respect to compliance with a condition or covenant provided for in the 2006 Indenture except the certificate contemplated by the 2006 Indenture as described herein under the caption "THE 2006 INDENTURE – MISCELLANEOUS – Destruction of Canceled Bonds," shall include (a) a statement that the person or persons making or giving such certificate or report have read such covenant or condition and the definitions under the 2006 Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or report are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Agency may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Agency, upon the certificate or opinion of or representations by an officer or officers of the Agency, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in exercise of reasonable care should have known that the same were erroneous.

Notice to Series A Bond Insurer. Whenever any notice, authorization, request or demand is required or permitted to be given to any party pursuant to the 2006 Indenture, such notice, authorization, request or demand shall also be given in writing to the Series A Bond Insurer, if any, by registered or certified mail at the address specified by such Series A Bond Insurer. The Trustee shall notify the Series A Bond Insurer of any known failure of the Agency to provide to the Trustee relevant notices, certificates, reports or other documents under the 2006 Indenture. Notwithstanding any other provision of the 2006 Indenture, the Trustee shall notify the Series A Bond Insurer immediately if at any time there are insufficient moneys to make any payments of principal or interest as required under the 2006 Indenture and immediately upon the Trustee having actual knowledge of the occurrence of any Event of Default or any event, which with the passage of time could become an Event of Default. The Agency and the Trustee agree to provide the Series A Bond Insurer with any additional information concerning the Series A Bonds as the Series A Bond Insurer may reasonably request.

Continuing Disclosure. The Agency as provided in the 2006 Indenture covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the Agency in connection with the issuance of the Series A Bonds (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of the 2006 Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the 2006 Indenture; provided, however, that the Trustee at the written direction of any underwriter or the Owners of at least 25% aggregate principal amount of Series A Bonds, shall (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Owner or beneficial owner of the Series A Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Funds and Accounts. Any fund or account required by the 2006 Indenture to be established and maintained by the Agency or the Trustee may be established and maintained in the accounting records of the Agency or the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practices and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Business Days. When any action is provided for in the 2006 Indenture to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a day which is not a Saturday, a Sunday, or a day on which banks located in the city where the principal corporate trust office of the Trustee is located are required or authorized to remain closed (a "business day"), such action may be performed on the next ensuing business day with the same effect as though performed on the appointed day or within the specified period.

Interpretation. Notwithstanding any other provision of the 2006 Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the 2006 Indenture, the Trustee shall consider the effect on the Bondholders without regard to the Bond Insurance Policy. For such time as the Series A Bond Insurance Policy shall be in full force and effect and so long as the Series A Bond Insurer is not in default under such Bond Insurance Policy, the Trustee shall not be permitted to resolve ambiguities in the 2006 Indenture in any manner that shall be deemed to be conclusively binding on Bondholders without the consent of Series A Bond Insurer. The Series A Bond Insurer shall receive notice of any proposed meetings of Bondholders held under the 2006 Indenture and shall be given the opportunity to attend and participate in the same.

For such time as the Series A Bond Insurance Policy shall be in full force and effect and so long as the Series A Bond Insurer is not in default under such Series A Bond Insurance Policy, any legal opinions rendered to any party to the 2006 Indenture as to compliance with or interpretation of, the provisions thereof, shall also be provided to Series A Bond Insurer.

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

Reimbursement. The Agency covenants to pay or reimburse the Series A Bond Insurer any and all charges, fees, costs and expenses which the Series A Bond Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security under the 2006 Indenture; (ii) the pursuit of any remedies under the 2006 Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to the 2006 Indenture whether or not executed or completed, (iv) the violation by the Agency of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with the 2006 Indenture or the transactions contemplated thereby, other than amounts resulting from the failure of the Series A Bond Insurer to honor its payment obligations under the Series A Bond Insurance Policy. The Series A Bond Insurer reserves the right to charge an Administrative Fee of $2,500 as a condition to executing any amendment, waiver or consent proposed in respect of any document or action taken after Closing in connection with the Series A Bonds and the 2006 Indenture. The Series A Bond Insurer reserves the right to require the payment of the reasonable fees and expenses of its counsel or other agents as a condition to executing any amendment, waiver or consent proposed in respect of any document or action taken after Closing in connection with the Series A Bonds and the 2006 Indenture. All requests for any such amendments, waivers or consents shall be in writing and accompanied by the payment of the Administrative Fee and directed to Radian Asset Assurance Inc., 335 Madison Avenue, New York, NY 100017, ATTN: Risk Management Department.

Payments required to be made to the Series A Bond Insurer shall be payable solely from amounts held under the 2006 Indenture, and without duplicate charge to the Authority Indenture, but in no event shall they be deemed or construed to be debt or multiple fiscal year obligations of any kind. The obligations of the Agency to the Series A Bond Insurer shall survive discharge and termination of the 2006 Indenture.

Consent Requirements of the Series A Bond Insurer. For such time as the Series A Bond Insurance Policy shall be in full force and effect and so long as the Series A Bond Insurer is not in default under such Bond Insurance Policy, the Series A Bond Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to the 2006 Indenture or any 2006 Indenture (in each case, other than an amendment or supplement for the purpose of authorizing additional indebtedness in accordance with the terms thereof) or any other document executed in connection with the issuance of the Series A Bonds; (ii) removal of the Trustee or Paying Agent for the Series A Bonds; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires consent of the registered owners of the Series A Bonds.

Indemnification. To the fullest extent permitted by the laws and Constitution of the State of California, the Agency shall protect, hold harmless and indemnify the Series A Bond Insurer for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with the Redevelopment Project Area, the 2006 Indenture and any related instrument (including all environmental liabilities regarding the Redevelopment Project Area), (except that the Agency shall not protect, hold harmless or indemnify the Series A Bond Insurer for the willful or wanton acts or omissions, mistakes, gross negligence of such Series A Bond Insurer, to the extent that such acts, omissions, mistakes, gross negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection herewith including reasonable attorneys' fees and expenses. The obligations of the Agency to protect, hold harmless, reimburse and indemnify the Series A Bond Insurer as set forth under this provision shall survive any termination, release, satisfaction and discharge of Series A Bonds and the 2006 Indenture; provided, however such obligations of the Agency shall be payable solely from Tax Revenues.

THE 2008 SUPPLEMENTAL INDENTURES

In addition to the terms summarized in the forepart of this Official Statement with respect to the Series B Bonds and the Series C Bonds, including the terms, authorized denominations, maturities, redemption provisions, maturity dates and interest rates, the 2008 Supplemental Indentures include the following additional definitions, covenants and provisions.

Definitions

Unless the context otherwise requires, the capitalized terms used in the 2008 Supplemental Indentures have the meanings specified in the 2006 Indenture. Certain additional definitions in the 2008 Supplemental Indentures are set forth below.

"Authorized Investments" for the Series B Bonds and the Series C Bonds shall have the meaning set forth in the 2006 Indenture provided however that the term "Bond Insurer" or Series A Bond Insurer referenced in the definition of Authorized Investments shall mean the Bond Insurer, if any, providing a Bond Insurance Policy for the Series B Bonds or the Series C Bonds, as applicable.

Bond Insurance Policy, Series A Bond Insurance Policy, Series B Bond Insurance Policy

"Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the applicable Bond Insurer and insuring, in whole or in part, the payment of principal of and interest on a Series of Bonds.

"Series A Bond Insurance Policy" means the municipal bond insurance policy issued by the Series A Bond Insurer and insuring the payment when due of principal of and interest on the Authority Bonds a portion of the proceeds of which were used to purchase the Series A Bonds

"Series B Bond Insurance Policy" means the Bond Insurance Policy issued by the Series B Bond Insurer insuring the scheduled payment of principal of and interest when due on a portion of the Series B Bonds.

Bond Insurer, Series A Bond Insurer; Series B Bond Insurer

"Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Agency to insure the payment of principal of and interest on a Series of Bonds issued under the 2006 Indenture and any applicable Supplemental Indentures, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds.

"Series A Bond Insurer" means Radian Asset Assurance Inc., a corporation organized under the laws of the State of New York or any successor thereto as issuer of the Series A Bond Insurance Policy. The provisions set forth in the 2006 Indenture (i) permitting actions directed by or instructions given by, or (ii) requiring consent, approvals and other actions by or (iii) requiring notices to the Bond Insurer or Series A Bond Insurer shall be applicable to the Series A Bond Insurer with respect to the Series A Bonds and the proceeds and revenues related to the Series A Bonds and to the 2006 Indenture (and for only so long as the Series A Bond Insurance Policy remains in effect and the Series A Bonds remain Outstanding) and shall not be applicable to any Additional Bonds issued in accordance with the terms of the 2006 Indenture (or the proceeds or revenues related thereto) except as otherwise set out in the Supplemental Indentures authorizing such Additional Bonds.

"Series B Bond Insurer" means Berkshire Hathaway Assurance Corporation, a corporation organized under the laws of the State of New York or any successor thereto as issuer of the Series B Bond Insurance Policy.

Additional Covenants of the Agency

Expenditures for Low and Moderate Income Housing; Pledge of Tax Revenues for Housing. Not less than twenty percent (20%) of the proceeds of the 2008 Bonds shall be used by CRA/LA for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing within the meaning of Section 409.2 of the Redevelopment Plan and Section 33334.2 of the Law. With respect to the pledge of Tax Revenues under Section 5.01 of the Indenture and Section 4.2 of this First Supplemental Indenture for payment of the 2008 Bonds, Tax Revenues as defined in the Indenture shall not exclude tax amounts required to be deposited by the CRA/LA in the Housing Fund for the Project Area.

Further, since not less than twenty percent (20%) of the proceeds of the Series A Bonds were used by CRA/LA for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing within the meaning of Section 409.2 of the Redevelopment Plan and Section 33334.2 of the Law, the pledge of Tax Revenues under Section 5.01 of the Indenture for payment of the Series A Bonds shall not exclude tax amounts required to be deposited by the CRA/LA in the Housing Fund for the Project Area.

Priority of Section 33607.5 Payments. Certain payments required to be made to taxing entities pursuant to Section 33607.5 of the Law have been subordinated to debt service payments on the 2008 Bonds, but no subordination was timely requested as to debt service payments on the Series A Bonds. Unless or until such payments are subordinated to debt service payments on the Series A Bonds, payment under Section 5.06 of the Indenture will be made on the Series A Bonds, the Series B Bonds and any outstanding Additional Bonds without preference or priority from applicable Tax Revenues excluding such Section 33607.5 payments, and then, if necessary to meet the payment obligations under Section 5.06 of the Indenture, additional payment on the Series B Bonds and any eligible Additional Bonds (excluding the Series A Bonds) will be made from the moneys otherwise payable to the taxing entities under said Section 33607.5

Tax Exempt Bonds. The Series C Bonds shall be tax Exempt Bonds within the meaning of that term in the 2006 Indenture. The Series B Bonds are not intended to be Tax Exempt Bonds.

Clarification of 2006 Indenture

The provisions set forth in the 2006 Indenture (i) permitting actions directed by or instructions given by, or (ii) requiring consent, approvals and other actions by or (iii) requiring notices to the Bond Insurer or Series A Bond Insurer shall be applicable to the Series A Bond Insurer with respect to the Series A Bonds and the proceeds and revenues related to the Series A Bonds and to the 2006 Indenture (and for only so long as the Series A Bond Insurance Policy remains in effect and the Series A Bonds remain Outstanding) and shall not be applicable to any Additional Bonds issued in accordance with the terms of the 2006 Indenture (or the proceeds or revenues related thereto) except as otherwise set out in the Supplemental *Indentures authorizing such Additional Bonds*

In addition, the "Authorized Investments" set out in the 2006 Indenture are the Authorized Investments for the Series A Bonds and for the proceeds and accounts related to the Series A Bonds and shall not be applicable to any Additional Bonds except as set forth in any applicable Supplemental Indenture related to such Additional Bonds.

Additional Provisions related to Series B Bond Insurer.

The following additional provisions are set out in the First Supplemental Indenture for the Series B Bonds (the "Series B Supplemental Indenture").

Notices to Series B Bond Insurer. The Series B Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto. The Series B Bond Insurer shall receive copies of all notices required to be delivered to owners of the Insured Series B Bonds and, on an annual basis, copies of the Agency's audited financial statements and annual budget (provided, however, that posting of the audited financial statements and annual budget on the Agency's public website shall be sufficient delivery thereof). Any notice that is required to be given to an Insured Series B Bondowner or to the Trustee pursuant to the 2006 Indenture and the Series B Supplemental Indenture shall also be provided to the Series B Bond Insurer. Except as set forth herein, all notices required to be given to the Series B Bond Insurer under the 2006 Indenture and the Series B Supplemental Indenture shall be in writing and shall be sent by registered or certified mail addressed to Berkshire Hathaway Assurance Corporation [to come], New York, New York Attention: ___________ .

Right to approve Amendments to the 2006 Indenture and Series B Supplemental Indenture. The Series B Bond Insurer shall be given notice of all amendments to the 2006 Indenture and the Series B Supplemental Indenture which do not require the consent of the bondholders of the Series B Bonds. The Agency must obtain the written consent of the Series B Bond Insurer for any other amendments to the 2006 Indenture or Series B Supplemental Indenture affecting the Insured Series B Bonds.

Right to Direct Remedies in the Event of Default. The Series B Bond Insurer shall have the right to direct all remedies with respect to the Insured Series B Bonds in the event of default under the 2006 Indenture and Series B Supplemental Indenture. So long as the Series B Bond Insurance Policy is in effect for the Series B Bonds and the Series B Bond Insurer is not in default thereunder, the Series B Bond Insurer shall be deemed the Owner of the Insured Series B Bonds for purposes of any and all actions permitted the Owners thereof under Section 7.05 (Intervention by Trustee in judicial proceedings) and Article IX (Events of Default and Remedies of Owners) of the 2006 Indenture; provided however that notices of default shall be give both to the registered Owners of the Insured Series B Bonds and to the Series B Bond Insurer.

The term Bond Insurer includes the Series B Bond Insurer. For purposes of Sections 7.06 (Removal of Trustee) and 11.02 (Third Party Beneficiary) of the 2006 Indenture, the term "Bond Insurer" shall include the Series B Bond Insurer.

APPENDIX C

FORM OF BOND COUNSEL OPINION

APPENDIX C

FORM OF BOND COUNSEL OPINION

The Community Redevelopment Agency of
the City of Los Angeles, California
354 South Spring Street, Suite 800
Los Angeles, CA 90013

$22,580,000
The Community Redevelopment Agency of the City of Los Angeles. California
Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds,
Series B (Taxable)

and

$11,050,000
The Community Redevelopment Agency of the City of Los Angeles, California
Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds,
Series C (Tax Exempt)
Final Opinion

Ladies and Gentlemen:

We served as bond counsel in connection with the issuance and sale by The Community Redevelopment Agency of the City of Los Angeles, California (the "CRA/LA") of its $22,580,000 Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) (the "Series B Bonds") and its $11,050,000 Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series C (Tax Exempt) (the "Series C Bonds" and, collectively with the Series B Bonds, the "Bonds"). The Bonds are being issued pursuant to the Constitution and the laws of the State of California (the "State"), and pursuant to an Indenture dated as of June 1, 2006 (the "Master Indenture") by and between the CRA/LA and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") and separate Supplemental Indentures, each dated as of June 1, 2008 (the " Supplemental Indentures"), by and between the CRA/LA and the Trustee. The Master Indenture and the Supplemental Indentures are herein collectively referred to as the "Indenture". The issuance and sale of the Bonds was approved by the City Council of the City of Los Angeles on April 29, 2008 and was authorized by a resolution of the CRA/LA adopted by the CRA/LA on May 15, 2008 (the "Resolution").

The Bonds are special obligations of the CRA/LA payable from the Pledged Tax Revenues (as defined in the Indenture) to be derived from the Wilshire Center/Koreatown Recovery Redevelopment Project area and from certain limited funds held by the Trustee under the Indenture. Neither the faith and credit nor the taxing power of the City of Los Angeles, the State of California or any public CRA/LA is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The CRA/LA has no power of taxation.

In connection with the issuance of the Bonds, we have examined a certified copy of the Resolution, executed counterparts of the Master Indenture and the Supplemental Indentures, an opinion of the City Attorney with respect to the CRA/LA, certifications of the CRA/LA and others and such other documents, certificates, opinions and matters of law as we deemed relevant and necessary in rendering the opinions set forth below.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the CRA/LA. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Master Indenture and the Supplemental Indentures and other relevant documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The proceedings have been taken in accordance with the laws and Constitution of the State of California, and said Bonds, having been issued in duly authorized form and executed by proper officials and delivered to and paid for by the purchasers thereof, constitute the legally valid and binding special obligations of said CRA/LA enforceable in accordance with their terms.

2. The Bonds will be secured by an irrevocable pledge of Tax Revenues (as defined in the Indenture) to the extent set forth in the Indenture as Pledged Tax Revenues, and by certain other limited funds held by the Trustee under the Indenture, and the covenants and agreements contained in the Indenture are legally valid and binding obligations of the CRA/LA enforceable in accordance with their terms.

3. No additional bonds or other obligations payable as to either principal or interest from said Tax Revenues which have any lien thereon superior to or on a parity with

the lien of these Bonds on said Tax Revenues may be lawfully issued by the CRA/LA except as expressly authorized in the Indenture.

4. Interest on the Bonds is exempt from State of California personal income taxes under current law.

5. The Internal Revenue Code of 1986, as amended to date (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The CRA/LA has covenanted in the Supplemental Indenture related to the Series C Bonds to maintain the exclusion of interest on the Series C Bonds from the gross income of the owners thereof for federal income tax purposes, but have made no such covenants with respect to the Series B Bonds. Under existing statutes, regulations, rulings and court decisions, assuming compliance with the aforementioned covenants, interest on the Series C Bonds is excluded pursuant to section 103 of the Code from the gross income of the owners thereof for federal income tax purposes. We are of the further opinion that the Series C Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series C Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or accrual or receipt of interest on the Series B Bonds or the Series C Bonds, although we observe, assuming noncompliance by the CRA/LA with the above mentioned requirements of the Code with respect to the Series B Bonds, that interest on the Series B Bonds will be fully includable in the gross income of the recipients thereof for federal income tax purposes (taxable).

We call attention to the fact that the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against local agencies in the State. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Further, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto and we express no opinion as to the sufficiency of the Tax Revenues or Pledged Tax Revenues to pay debt service on the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deemed relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully Submitted,

APPENDIX D

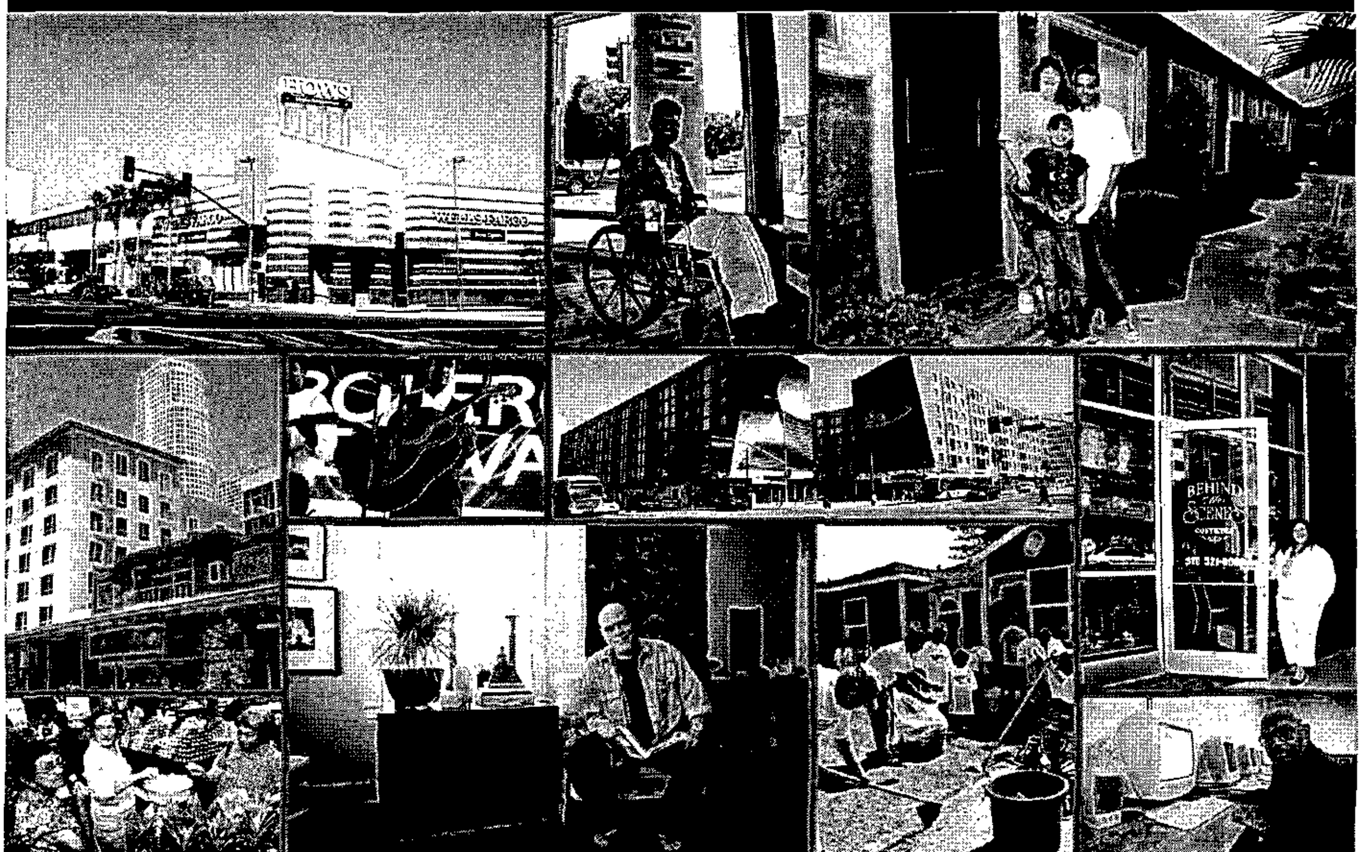
EXCERPTS FROM THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES COMBINED FINANCIAL STATEMENTS AND SCHEDULES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Community Redevelopment Agency
of the CITY OF LOS ANGELES

A Component Unit of the City of Los Angeles, California

CRA/LA
BUILDING COMMUNITIES

COMPREHENSIVE ANNUAL FINANCIAL REPORT



With Independent
Auditor's Report
Thereon

For The Year Ended
JUNE 30, **2007**

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA
(A Component Unit of the City of Los Angeles, California)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

Prepared by:

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Budgets
Business Operations and Asset Management
Finance
Graphics
Information Technology
Payroll

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA
(A Component Unit of the City of Los Angeles, California)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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OF THE CITY OF LOS ANGELES, CALIFORNIA
(A Component Unit of the City of Los Angeles, California)

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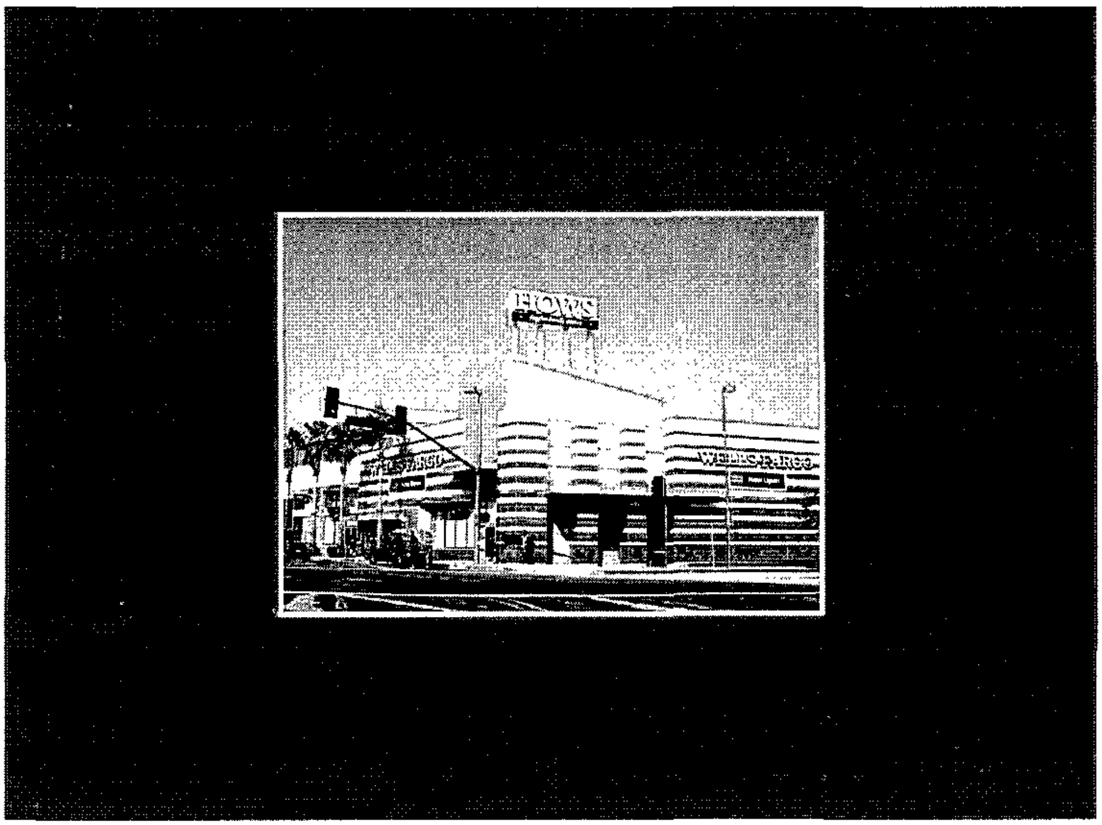
INTRODUCTORY SECTION



The 34,000 sq. ft. HOWS in North Hollywood, its newest and 5th location, came to the CRA/LA project area as the supermarket anchor in the NoHo Commons mixed-use project. NoHo Commons is a planned masterpiece of transit-oriented development.

Community Redevelopment Agency
of the CITY OF LOS ANGELES

CRA/LA
BUILDING COMMUNITIES

DATE /

FILE CODE /

354 South Spring Street / Suite 800
Los Angeles / California 90013-1258

T 213 977 1600 / F 213 977 1665
www.crala.org

December 27, 2007

To the Honorable Mayor, Members of the City Council, City Controller, and the Board of Commissioners of The Community Redevelopment Agency of the City of Los Angeles:

California redevelopment law requires redevelopment agencies to publish and transmit to their governing bodies and the State Controller within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of The Community Redevelopment Agency of the City of Los Angeles (Agency) for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Agency's financial statements have been audited by Simpson and Simpson, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the Agency's financial statements for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Agency's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE AGENCY

The Agency was established by the Los Angeles City Council (City Council) in 1948 under State Law to devise and implement geographically-based action strategies to check and reverse physical and economic blight in the City of Los Angeles' (City) most distressed urban neighborhoods. The Agency will direct governmental and private sector investments, as necessary in implementing these strategies and in undertaking the necessary steps required to engender new investment and growth in these areas. Toward these ends, the Agency provides technical and financial assistance to a variety of partners, including (a) neighborhood-based groups that promote a mission of empowering the community by working toward the achievement of a healthy economic and social infrastructure; (b) residents who seek to take part in the City's prosperity; (c) investors who understand the importance and the needs of the urban markets; and (d) the urban labor pool. The Agency lends assistance to investors willing to take a risk for a more vibrant City, to neighborhood residents exhibiting confidence in their communities, and to those in need who seek to take part in the City's prosperity.

As of June 30, 2007, the Agency operated 32 redevelopment project areas and a revitalization project area in the following regions throughout the City: East Valley, West Valley, Hollywood and Central, Downtown, Eastside, South Los Angeles, and the Los Angeles Harbor regions. The Agency finances a variety of programs in each redevelopment project area, including creating and rehabilitating housing and commercial housing developments, façade improvements and streetscapes, reconstructing deteriorated public facilities and improvements, public art, and grant programs. All Agency activities must be consistent with the goals and objectives of the respective project's redevelopment plan and five-year implementation plan.

Historically, over fifty percent of the Agency revenues come from incremental property taxes. Pursuant to state law, the Agency is required to spend at least 20 percent of this revenue on low and moderate-income housing. Other revenue sources include grants, bond proceeds, leases, proceeds from sale of land, loan collections, and interest income.

Due to the nature of redevelopment financing and changes in the financial reporting requirements established by the Government Accounting Standards Board (GASB) under GASB 34, Agency liabilities normally exceed assets, thus resulting in a deficit in the statement of net assets. Redevelopment activities, which benefit and increase property assessed values in the redevelopment project areas, are primarily financed through the issuance of tax allocation bonds. Proceeds from these tax allocation bonds are used for infrastructure projects, commercial and housing loans, and project operations. The tax allocation bond issues, which are secured by future tax increment revenues, are carried as liabilities in the Agency books. However, the uses of the bond proceeds do not result in equivalent Agency assets. Infrastructure projects are turned over to the City and loans receivable are carried in the Agency books at amounts substantially lower than cost.

A Board of seven commissioners appointed by the Mayor and confirmed by the City Council oversees the Agency. A Chief Executive Officer appointed by the Board directs the Agency staff and its operations. Under the "Oversight Ordinance" adopted in 1991, every action of the Agency is subject to City Council review and/or approval. The "Oversight Ordinance" also designated the City Controller and City Attorney as the Agency's controller and legal counsel, respectively.

Budgetary control. The Agency's annual budget serves as the foundation for financial planning and control. The budget is prepared under the guidelines established by State redevelopment law and the City of Los Angeles budget ordinance. The budget is approved by the City Council and adopted by the Agency Board prior to the start of the fiscal year. In addition, because the Agency's budget is prepared well in advance of the fiscal year to which it relates, the budget is regularly amended for changes in available resources and project objectives with the approval of the Agency Board and the City Council. The appropriated budget is prepared by fund, redevelopment project, cost center, and objective.

The City Budget Ordinance allows Agency management to increase or decrease an objective based on predefined limits. Beyond such limits, the Agency Board and the City Council must approve increases and decreases in expenditures. An objective is defined as a specific project or type of work being performed within a redevelopment project area. A more detailed discussion of the Agency budget can be found in the accompanying *Note to Required Supplementary Information* on page 69.

The budget-to-actual comparison for housing and special revenue funds is presented in the *Required Supplementary Information* of this report on pages 67 and 68, whereas, the budget-to-actual comparison for capital projects and debt service funds is presented in the *Other Supplementary Information* on pages 70 and 71.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Agency operates.

Local economy. Various economic indicators project continued slower growth in 2007 for the Southern California region despite the relative weakness in the housing market. In addition, Agency expects to benefit from the overall growth in assessed valuation resulting from prior years' real estate development projects coupled with the recent growth in value of real estate assets and development projects that are currently in the pipeline.

Cash management policies and practices. In accordance with the Agency Investment Policy, cash temporarily idle during the year was invested in obligations of the U.S. Treasury or U.S. governmental agencies, certificates of deposits, bankers' acceptances, repurchase agreements, commercial paper, the Local Agency Investment Fund administered by the State of California, and guaranteed investment contracts. The maturities of the investments range from days to years, with an average maturity of approximately four months. For the fiscal year ended June 30, 2007, the average yield on investments was 5.20 percent.

Risk management. As part of its risk management program, the Agency carries commercial and general insurance policies. The cost of the insurance is allocated to all the redevelopment projects. A schedule of the Agency's insurance policies appears on page 120.

Pension and other postemployment benefits. The Agency provides pension benefits to its employees. These benefits are provided through the California Public Employees' Retirement System, an agent multiple-employer defined benefit pension plan.

The Agency also provides postemployment health and dental care benefits for certain retirees and their dependents. As of the end of fiscal year 2007, there were 104 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. In June 2004, the Governmental Accounting Standards Board issued GASB 45, which will require governmental entities such as the Agency to recognize postemployment health benefit costs during the working careers of Agency employees starting no later than the fiscal year 2008. The Agency intends to comply with the reporting requirements of GASB 45 in fiscal year 2008. Prior to this time, staff will evaluate and determine the Agency's actuarial liability and obtain authorization to adopt an expense and funding policy for these benefits.

Additional information on the Agency's pension arrangements and postemployment benefits can be found in notes 3-A and 3-B in the *Notes to Basic Financial Statements* and in the *Required Supplementary Information* on page 66.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the fifth consecutive year the Agency achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Agency published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated efforts of the staff of the Finance and Accounting Division. We would like to express our appreciation to other Agency staff that assisted in the preparation of this report. Credit must also be given to the Agency Board of Commissioners and the City Controller's Office for their unfailing support for maintaining the highest standards of professionalism in the management of the Agency's finances.

Respectfully submitted,

Brence Culp, Chief Financial Officer

Cecilia V. Estolano, Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Community Redevelopment Agency of the City of Los Angeles, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

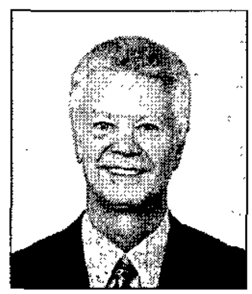
THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

BOARD OF COMMISSIONERS

William H. Jackson
Chairman

Madeline Janis
Vice-Chair

Joan Ling
Treasurer



Bruce D. Ackerman
Member

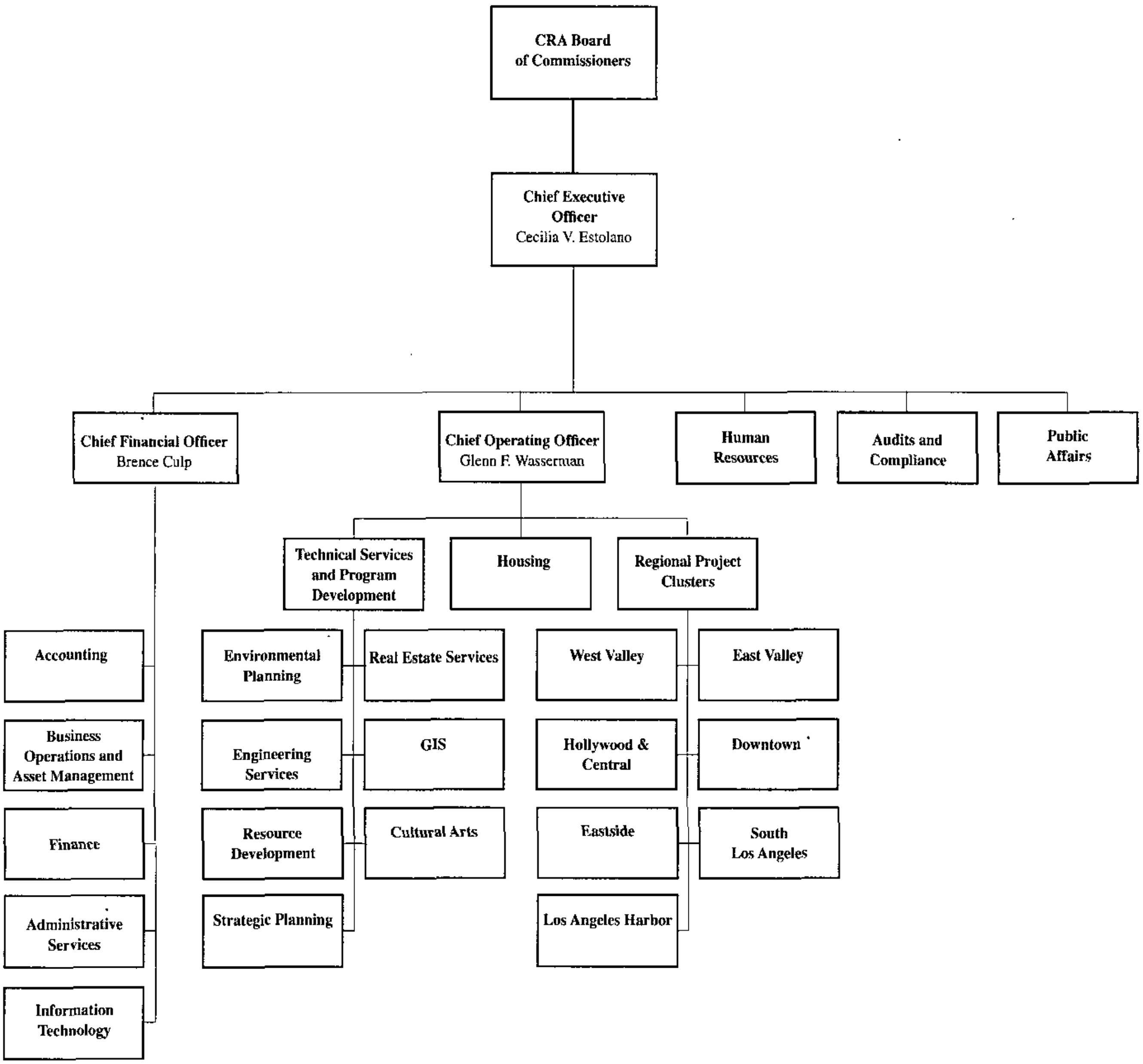
Natalie Cole
Member

Alejandro Ortiz
Member

John A. Pérez
Member

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

Organizational Chart



CITY OFFICIALS
City of Los Angeles, California


Antonio Villaraigosa
Mayor


Rockard J. Delgadillo
City Attorney


Laura Chick
City Controller


Eric Garcetti
13th District
Council President


Wendy Greuel
2nd District
President Pro-Tempore


Ed P. Reyes
1st District


Dennis P. Zine
3rd District


Tom LaBonge
4th District


Jack Weiss
5th District


Tony Cárdenas
6th District


Richard Alarcón
7th District


Bernard Parks
8th District


Jan Perry
9th District


Herb J. Wesson, Jr.
10th District


Bill Rosendahl
11th District


Greig Smith
12th District


José Huizar
14th District


Janice Hahn
15th District

NON-ELECTED FISCAL OFFICERS

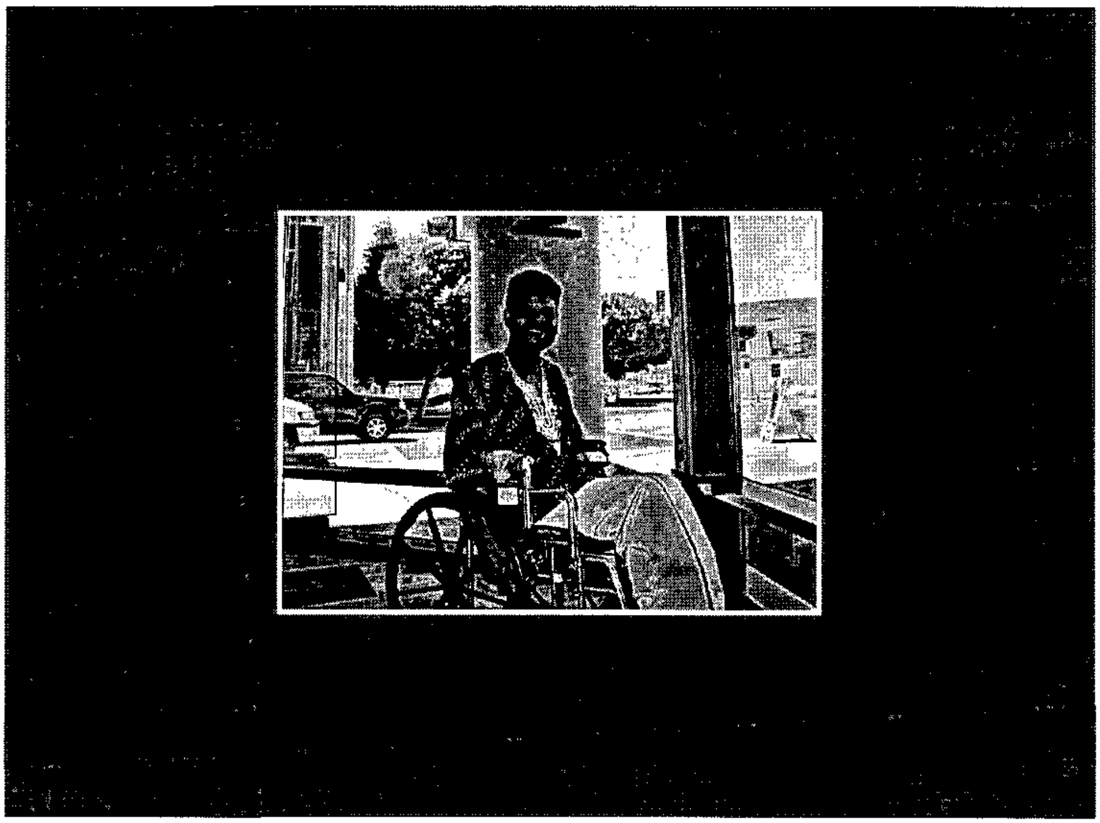
Director of Finance
Antoinette D. Christovale

City Treasurer
Joya C. De Foor

City Administrative Officer
Karen Sisson

City Purchasing Agent & General Manager
Department of General Services
Alvin Y. Blain

FINANCIAL SECTION



Myron McDuffie may be wheel-chair bound with multiple sclerosis (MS), but thanks to Met Lofts and its affordable housing set-aside, the 50-year-old disabled man now has a downtown home close to mass transit he says "opens the city" to him. The eight-story residential building is part of the renewal effort in South Park, just south of Downtown.

Independent Auditor's Report

For Victoria Meredith, a participant in the CRA/LA West Valley Region's first-time homebuyer program, owning her own home seems "unbelievable at times." A single mother with two children, she is one of more than a dozen people that have benefited from CRA/LA's West Valley first-time homebuyer program.

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Laura N. Chick
Controller of the City of Los Angeles and
The Community Redevelopment Agency of
The City of Los Angeles, California

The Board of Commissioners of
The Community Redevelopment Agency of
The City of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles, California (Agency), as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles, California, as of June 30, 2007, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 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.

The management's discussion and analysis on pages 11 through 20, the schedule of funding progress - employees' pension plan on page 66, and the budgetary comparison schedule for the Housing Fund and Special Revenue Fund on pages 67 and 68, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

S&S

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information identified in the accompanying table of contents as the budgetary comparison schedule for Capital Projects Fund and Debt Service Fund, combining financial statements of the Internal Service Funds and Agency Funds, combined schedules by redevelopment project area, and schedule of third-party indebtedness, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Agency. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the accompanying table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Agency. Such information has not been subjected to the auditing procedures applied in the audit of the Agency's basic financial statements and, accordingly, we express no opinion on them.

Simpson & Simpson

Los Angeles, California
December 10, 2007

Management's Discussion and Analysis

This Ralphs location is a symbol that Downtown Los Angeles is truly a residential community and is proof that thousands now consider Downtown home. This grocery store helped the CRA/LA meet a goal it has been pursuing for 20 years, namely, to make Downtown Los Angeles a livable, workable and walkable community.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Management's Discussion and Analysis

June 30, 2007

As management of The Community Redevelopment Agency of the City of Los Angeles (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages one through four of this report.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of the fiscal year 2007 by $57,888,000 (deficit). Of this net deficit, $530,940,000 is either net assets invested in capital assets or restricted for capital projects, low and moderate-income housing activities, and debt service. The remaining deficit of $588,828,000 will be paid out of future Agency revenues, primarily pledged tax increment to be collected in future years (page 21).

- The Agency's total deficit decreased by $76,724,000. While the governmental activities net assets increased by $76,752,000, the business-type activities net assets decreased by $28,000 (page 22).

- As of the close of fiscal year 2007, the Agency's governmental funds reported combined ending fund balances of $468,229,000, an increase of $65,752,000 in comparison with the prior year. Approximately 47.2 percent of this total amount, $221,229,000, has been appropriated in the 2008 fiscal year budget (page 23).

- The Agency's long-term debt at June 30, 2007 net of unamortized premiums/discounts and deferred amounts from refunding totaled $759,792,000, a net increase of $14,757,000 from prior year's balance of $745,035,000 (page 50).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues, and earned but unused vacation leave).

The governmental activities of the Agency include housing, community and economic development, public improvement, project general, and debt service while the business-type activity of the Agency includes an Agency-owned and operated public parking facility.

The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. This reconciliation can be found on pages 24, 26, and 27.

The Agency maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the capital projects fund, debt service fund, housing fund, and special revenue fund, which are all considered to be major funds.

The governmental fund financial statements can be found on pages 23 and 25 of this report.

The Agency adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the housing and special revenue funds in the *Required Supplementary Information* on pages 67 and 68, and the capital projects and debt service funds in the *Other Supplementary Information* on pages 70 and 71.

Proprietary funds. The Agency maintains two different types of proprietary funds. An *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Agency uses an enterprise fund to account for the operation of a public parking garage financed by a parking revenue bond. *Internal service funds* are an accounting device used to accumulate and allocate costs and revenues internally among the Agency's various functions. The Agency uses internal service funds to account for its personnel and administrative costs, an investment pool, and the transactions of its financing authority. Because all of these functions predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the above functions. Conversely, these internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 28 through 30 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the Agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Agency's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds except that the fiduciary funds do not have a measurement focus.

The fiduciary fund financial statement can be found on page 31 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 32 through 65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the funding progress of the employees' pension plan of the Agency on page 66 of this report, and a budgetary comparison for the housing and special revenue funds on pages 67 and 68 of this report. Other supplementary information concerning the Agency's budgetary comparison for capital projects and debt service funds, financial statements of the internal service funds, financial statements of the fiduciary funds, financial statements of individual redevelopment project areas, and third-party indebtedness is presented on pages 70 through 91.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of the close of fiscal year 2007, the liabilities of the Agency exceeded its assets by $57,888,000 (deficit). Of this net deficit amount, $56,364,000 is invested in capital assets net of related debt and $474,576,000 represents restricted net assets for capital projects, low and moderate-income housing activities, and debt service. The remaining balance of $588,828,000 represents a deficit, which will be paid out of future Agency revenues. The largest portion of the Agency's deficit is caused by the outstanding long-term debt of $759,792,000. This is primarily due to the nature of redevelopment financing, whereby the Agency issues bonds or incurs long-term debt to finance a substantial portion of its redevelopment activities which include infrastructure projects, housing, public parking, commercial and retail projects, community development activities, and others. Although infrastructure assets are transferred to the City of Los Angeles, the debt remains with the Agency. The Agency also provides gap financing in other types of redevelopment activities and any equity assumed in these projects is usually significantly less than the underlying expenses. In addition to the public purpose of these redevelopment activities, they are designed to generate additional tax increment resources, to service the Agency's debt and finance additional projects.

The Agency's deficit decreased by $76,724,000 during the current fiscal year. This amount is higher than the decrease of $15,503,000 in fiscal year 2006 due mainly to revenue increases of $34,084,000 from tax increment revenues, $8,179,000 from interest income, and $7,691,000 net change in loan valuation of the Agency's loan portfolio.

The following table summarizes the Agency's net assets (in thousands of dollars):

Agency's Net Assets (Deficit)

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 532,014	$ 2,491	$ 534,505	$ 454,931	$ 3,884	$ 458,815
Restricted assets	78,829	6,347	85,176	63,835	5,992	69,827
Land held for redevelopment	56,981	-	56,981	35,879	-	35,879
Capital assets, net of accumulated depreciation and amortization	65,986	32,684	98,670	66,348	33,332	99,680
Total assets	733,810	41,522	775,332	620,993	43,208	664,201
Current and other liabilities	67,386	3,178	70,564	49,945	3,833	53,778
Long-term liabilities, net of unamortized premium, discount, and deferred amount on refunding	718,319	44,337	762,656	699,695	45,340	745,035
Total liabilities	785,705	47,515	833,220	749,640	49,173	798,813
Net assets:						
Invested in capital assets, net of related debt	65,986	(9,622)	56,364	66,348	(12,008)	54,340
Restricted net assets	468,229	6,347	474,576	402,477	5,992	408,469
Deficit	(586,110)	(2,718)	(588,828)	(597,472)	51	(597,421)
Total deficit	$ (51,895)	$ (5,993)	$ (57,888)	$ (128,647)	$ (5,965)	$ (134,612)

Governmental Activities. During fiscal year 2007, governmental activities reduced the deficit by $76,752,000 or 59.7 percent of prior year's total deficit. Key elements for the decreases in the deficit are as follows:

- Total revenues for fiscal year 2007 increased by $47,025,000 or 26.6 percent. The primary increase in revenue came from incremental property taxes, which grew by $34,084,000 or 26.8 percent. Despite recent real estate market softness, the prior years' strong growth continued to generate healthy growth in assessed valuation. This resulted in higher than expected growth of incremental property taxes.

- The net change in loan valuation of $7,691,000 is primarily due to the higher valuation rate for the loan portfolio and an overall increase in the loan principal balance.

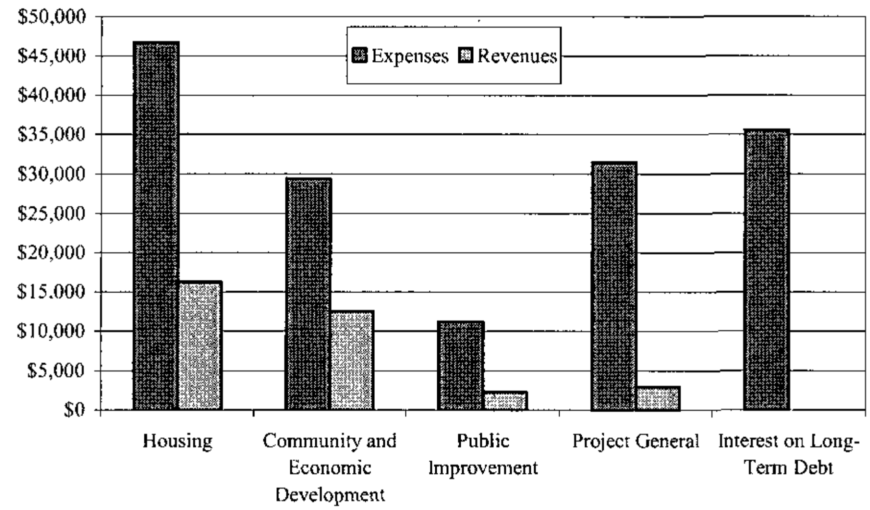
- The increase in total expenses of $3,320,000 or 2.2 percent from fiscal year 2006 was more than offset by a higher revenue growth.

- The following table and charts provide a summary of the Agency's revenues and expenses for its governmental activities (in thousands of dollars):

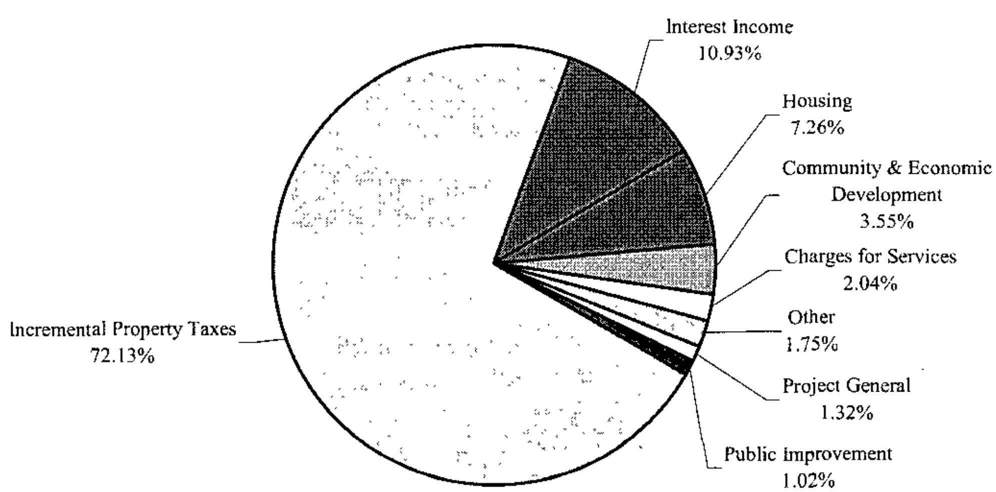
Agency's Changes in Net Assets - Governmental Activities

	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006
Revenues:		
Program revenues:		
Capital grants and contributions	$ 29,387	$ 26,707
Charges for services	4,574	5,297
General revenues:		
Incremental property taxes	161,300	127,216
Interest income	24,441	16,436
Other	3,915	936
Total revenues	223,617	176,592
Program expenses:		
Housing	46,747	31,496
Community and economic development	29,471	32,310
Public improvement	11,242	7,361
Project general	31,496	50,236
Sub-total	118,956	121,403
Interest on long-term debt	35,600	29,833
Total expenses	154,556	151,236
Special item:		
Net change in loan valuation	7,691	(9,155)
Change in net assets	76,752	16,201
Deficit - beginning of year	(128,647)	(144,848)
Deficit - end of year	$ (51,895)	$ (128,647)

Expenses and Program Revenues - Governmental Activities
Fiscal Year Ended June 30, 2007



Revenues by Source - Governmental Activities
Fiscal Year Ended June 30, 2007

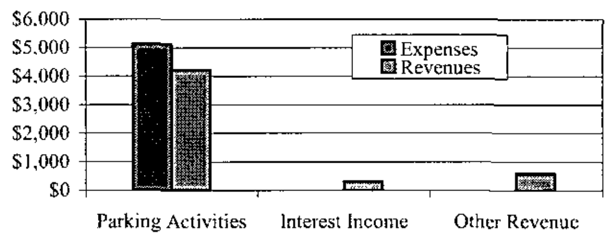


Business-Type Activities. A public parking garage financed with parking revenue bonds started operations in March 2002. The net loss on the garage of $28,000 increased the deficit to $5,993,000. The following summarizes the operating results of the Agency's enterprise fund for the year ended June 30, 2007 (in thousands of dollars):

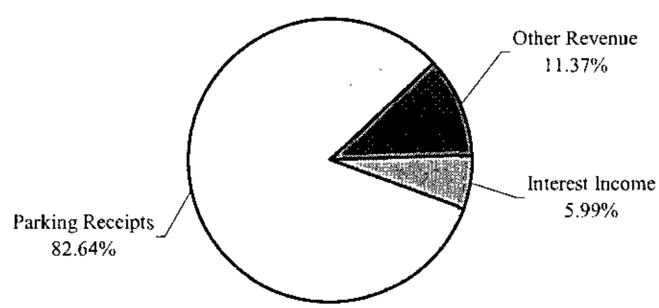
Agency's Changes in Net Assets - Business-type Activities

	Fiscal Year Ended	
	June 30, 2007	June 30, 2006
Revenues:		
Parking receipts	$ 4,222	$ 4,035
Interest income	306	132
Other	581	190
Total revenues	5,109	4,357
Expenses:		
Parking activities	5,137	5,055
Change in net assets	(28)	(698)
Deficit - beginning of year	(5,965)	(5,267)
Deficit - end of year	$ (5,993)	$ (5,965)

Expenses and Program Revenues - Business-type Activities
Fiscal Year Ended June 30, 2007



Revenues by Source - Business-type Activities
Fiscal Year Ended June 30, 2007



Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, the unreserved fund balance serves as a useful measure of the Agency's net resources available for spending at the end of the fiscal year. Individual fund information of governmental funds reported by the Agency include the capital projects fund, debt service fund, housing fund, and special revenue fund, which are all considered major funds.

As of June 30, 2007, the Agency's governmental funds reported a combined ending fund balance of $468,229,000, an increase of $65,752,000 in comparison with the prior year. Of the $468,229,000, $247,000,000 is reserved for debt service, low and moderate-income housing activities, advances to other funds, and encumbrances. The remaining $221,229,000, which is approximately 47.2 percent of the total fund balance, constitutes the unreserved fund balance. This amount is available for spending and has been appropriated in the fiscal year 2008 budget.

Capital Projects Fund. The capital projects fund is used to account for redevelopment expenditures from tax increment, bond proceeds, federal grants, and project program income. The balance of this fund at the end of the current fiscal year amounted to $227,115,000, an increase of $34,448,000 from prior year's fund balance. This increase in fund balance is primarily due to increases in tax increment revenues, grant revenues, and interest income.

Debt Service Fund. The debt service fund is used to accumulate resources to pay for principal, interest, and other related costs on the Agency's long-term debt. As of June 30, 2007, the debt service fund had a total balance of $67,801,000 all of which is reserved for debt service. This fund balance showed an increase of $6,789,000 from the prior year's amount. The increase in the fund balance was mainly due to issuance of additional debt during the fiscal year.

Housing Fund. The housing fund primarily accounts for the portion of tax increment and related revenue designated for low and moderate-income housing. State law requires redevelopment agencies to set aside at least 20 percent of tax increment for low and moderate-income housing projects. At the end of the fiscal year, the housing fund balance increased by $18,916,000 to a total of $143,342,000. The increase is primarily due to increase in housing set-asides resulting from increased tax increment revenues and new tax allocation bond issues. The entire fund balance is reserved for low and moderate-income housing projects.

Special Revenue Fund. The special revenue fund is used to account for revenues and expenditures from specific sources such as developer contributions, City participation, art fund contributions, and local grants. In fiscal year 2007, the fund balance of this fund increased by $5,599,000 to $29,971,000 as a result of an overall decrease in expenditures charged against this fund.

Proprietary funds. The Agency's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of June 30, 2007, the Agency-owned parking garage showed a deficit of $5,993,000. Other factors concerning the operation of the Agency-owned parking garage have already been addressed in the discussion of the Agency's business-type activities.

Capital Assets

The Agency's investments in capital assets net of accumulated depreciation and amortization for its governmental and its business-type activities as of June 30, 2007 totaled $65,986,000 and $32,684,000, respectively. The Agency's capital assets include land, building and improvements, equipment, and a multi-level public parking facility. This 1,725-car public parking facility located in the Hollywood Redevelopment Project area, which was financed by the issuance of $44,235,000 of parking revenue bonds, was opened for business in March 2002.

Additional information on the Agency's capital assets can be found in note 2-C on pages 44 and 45 of this report.

Debt Administration

At June 30, 2007, the Agency's long-term debt of $759,792,000, net of unamortized bond premium/discount and deferred amounts on refunding is summarized as follows (in thousands of dollars):

Agency's Long-Term Liabilities

	Governmental Activities	Business-type Activities	Total
Tax allocation bonds	$ 622,019	$ -	$ 622,019
Parking revenue bonds	-	40,300	40,300
Notes payable	19,604	4,037	23,641
Payable to the City	73,832	-	73,832
Total	$ 715,455	$ 44,337	$ 759,792

As of June 30, 2007, the Agency had fifty-eight tax allocation bonds and one parking revenue bond outstanding, totaling $662,319,000, net of unamortized bond premiums, discounts, and related items of $2,751,000. Of the 58 tax allocation bond issues, 48 are insured. Thirty-one insured bonds are rated "Aaa/AAA", 12 insured bonds are rated "AA", and five insured bonds are rated "A". This equates to 95.8 percent of the principal amount of bonds issued as insured. The remaining bonds are uninsured and have investment grade ratings.

Additional information on the Agency's long-term liabilities can be found *in note 2-F* on pages 48 through 55 of this report.

Economic Factors and Next Year's Budget and Rates

- *Employment.* According to the Los Angeles County Economic Development Corporation (LAEDC), the 2006 average non-farm unemployment rate for Los Angeles County was at 4.7 percent. The County's unemployment rate continues to run at low levels during 2007, about 4.8 percent. The LAEDC is projecting non-farm unemployment rate to move up to 5.0 percent in 2008.

- *Personal income growth.* LAEDC projected total personal income growth for Los Angeles County of 5.7 percent for 2007.

- *Inflation rate.* The LAEDC estimated the inflation rate for the Southern California area as measured by the consumer price index, in the 3.1 percent range for 2007 calendar year.

All of the above economic factors were considered in preparing the Agency's budget for fiscal year 2008.

As of June 30, 2007, the Agency's governmental funds showed an unreserved fund balance of $221,229,000. As part of the Agency's budget process as described in the note to required supplementary information on page 69, this amount was appropriated in the fiscal year 2008 budget.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in such information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, The Community Redevelopment Agency of the City of Los Angeles, 354 South Spring Street, Los Angeles, California 90013.

Basic Financial Statements

The Bolero Festival in the Central Avenue Jazz Park is great for the entire family, and the CRA/LA is one of its proud sponsors. The attendees are treated to tango, salsa, and mariachi music and *the vibrant sounds and unique* movement of the Bolero.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

Statement of Net Assets

June 30, 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total
ASSETS					
Cash and cash equivalents	$	162,547	$	401	$ 162,948
Unrestricted investments		253,816		-	253,816
Receivables:					
Incremental property taxes		11,135		-	11,135
Grants		5,438		-	5,438
Accrued interest		3,571		-	3,571
Other, net of uncollectibles of $196		829		58	887
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998		67,141		-	67,141
Restricted assets		78,829		6,347	85,176
Deferred charges		15,699		2,031	17,730
Court and other deposits for land acquisition		10,708		-	10,708
Land held for redevelopment		56,981		-	56,981
Capital assets, net of accumulated depreciation and amortization of $24,034:					
Land		57,537		10,428	67,965
Building and improvements		6,654		22,244	28,898
Equipment		1,795		12	1,807
Other assets		1,130		1	1,131
Total assets		733,810		41,522	775,332
LIABILITIES					
Accounts payable and accrued liabilities		9,040		572	9,612
Interest payable		19,396		2,556	21,952
Deferred revenue		3,012		-	3,012
Deposits and other liabilities		35,938		50	35,988
Noncurrent liabilities:					
Due within one year		21,220		760	21,980
Due in more than one year		697,099		43,577	740,676
Total liabilities		785,705		47,515	833,220
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt		65,986		(9,622)	56,364
Restricted for:					
Capital projects		257,086		-	257,086
Low and moderate-income housing activities		143,342		-	143,342
Debt service		67,801		6,347	74,148
Unrestricted		(586,110)		(2,718)	(588,828)
Total net assets (deficit)	$	(51,895)	$	(5,993)	$ (57,888)

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Statement of Activities

For the Fiscal Year Ended June 30, 2007
(In Thousands)

		Program Revenues		Net (Expenses) Revenues and Change in Net Assets		
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Program expenses:						
Housing	$ 46,747	$ -	$ 16,229	$ (30,518)	$ -	$ (30,518)
Community and economic development	29,471	4,574	7,930	(16,967)	-	(16,967)
Public improvement	11,242	-	2,283	(8,959)	-	(8,959)
Project general	31,496	-	2,945	(28,551)	-	(28,551)
Interest on long-term debt	35,600	-	-	(35,600)	-	(35,600)
Total governmental activities	154,556	4,574	29,387	(120,595)	-	(120,595)
Business-type activities:						
Parking activities	5,137	4,222	-	-	(915)	(915)
Total business-type activities	5,137	4,222	-	-	(915)	(915)
Total government-wide	$ 159,693	$ 8,796	$ 29,387	(120,595)	(915)	(121,510)
General revenues:						
Incremental property taxes				161,300	-	161,300
Interest income				24,441	306	24,747
Other				3,915	581	4,496
Total general revenues				189,656	887	190,543
Special item:						
Net change in loan valuation				7,691	-	7,691
Change in net assets				76,752	(28)	76,724
Net assets (deficit) - beginning of year				(128,647)	(5,965)	(134,612)
Net assets (deficit) - end of year				$ (51,895)	$ (5,993)	$ (57,888)

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Balance Sheet
Governmental Funds

June 30, 2007
(In Thousands)

	Capital Projects	Debt Service	Housing	Special Revenue	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,465	$ -	$ 23	$ 43	$ 1,531
Unrestricted investments	-	-	-	1,098	1,098
Receivables:					
Incremental property taxes	11,135	-	-	-	11,135
Grants	5,376	-	-	62	5,438
Accrued interest	93	-	-	2	95
Other, net of uncollectibles of $196	637	9	86	78	810
Due from other funds	217,192	9,343	143,511	30,211	400,257
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	23,372	-	42,588	1,181	67,141
Restricted assets	11,592	61,585	-	1,494	74,671
Advances to other funds	11,240	-	-	-	11,240
Other assets	6	-	-	113	119
Total assets	$ 282,108	$ 70,937	$ 186,208	$ 34,282	$ 573,535
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 4,477	$ -	$ 264	$ 1,048	$ 5,789
Due to other funds	5,118	409	-	107	5,634
Advances from other funds	9,285	-	-	160	9,445
Deferred revenue	26,030	-	42,602	1,521	70,153
Other liabilities	10,083	2,727	-	1,475	14,285
Total liabilities	54,993	3,136	42,866	4,311	105,306
Fund balances:					
Reserved for:					
Debt service	-	67,801	-	-	67,801
Low and moderate-income housing activities	-	-	123,566	-	123,566
Advances to other funds	11,240	-	-	-	11,240
Encumbrances	23,692	-	19,776	925	44,393
Unreserved, designated for continuing work programs	192,183	-	-	29,046	221,229
Total fund balances	227,115	67,801	143,342	29,971	468,229
Total liabilities and fund balances	$ 282,108	$ 70,937	$ 186,208	$ 34,282	$ 573,535

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets of Governmental Activities

June 30, 2007
(In Thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances of all governmental funds (page 23)		$ 468,229
Long-term receivables are not available to pay for current expenditures and are deferred on the modified accrual basis.		
Loans receivable		67,141
Deposits held by the Los Angeles County Court and other deposits for land acquisition are not spendable financial resources, therefore, are not reported in governmental funds.		10,708
Land held for redevelopment are not spendable financial resources, therefore, are not reported in governmental funds.		56,981
Land, building and improvements are not spendable financial resources, therefore, are not reported in governmental funds.		64,191
Interfund receivable/payable between the enterprise fund and the capital projects fund in governmental funds have been eliminated for financial statement presentation. This interfund receivable/payable do not affect the govermental activities.		7
Debt issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding debt for purposes of the statement of net assets.		
Unamortized debt issuance costs		15,699
Interest payable on long-term debt does not require the use of current financial resources, therefore, is not accrued as a liability in the balance sheet of governmental funds.		(19,396)
Long-term debt is not due and payable in the current period, therefore, is not reported in governmental funds.		
Long-term debt	$ (716,991)	
Unamortized premiums, discounts, and deferred amounts on refunding	1,536	(715,455)
Deficit of governmental activities (page 21)		$ (51,895)

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Capital Projects	Debt Service	Housing	Special Revenue	Total Governmental Funds
Revenues:					
Incremental property taxes	$ 161,300	$ -	$ -	$ -	$ 161,300
Grants	19,730	-	-	260	19,990
Interest income	12,349	1,778	8,929	1,385	24,441
Loan repayments	1,238	-	2,779	11	4,028
Rental income	4,529	-	6	39	4,574
Developer participation	60	-	-	1,652	1,712
City participation	262	-	-	7,423	7,685
Other	1,332	-	1,502	352	3,186
Total revenues	200,800	1,778	13,216	11,122	226,916
Expenditures:					
Current:					
Program salaries and administrative costs, including technical and professional personnel	32,000	-	4,855	-	36,855
Real estate and other acquisition costs	24,117	-	2,647	665	27,429
Housing	8,173	-	17,867	1,495	27,535
Rehabilitation	5,602	-	1,301	-	6,903
Public improvement	5,632	-	-	1,804	7,436
Relocation	1,855	-	76	600	2,531
Development loans	1,136	-	7,665	-	8,801
Community service	4,615	-	894	1,168	6,677
Tax increment administrative fees	2,559	-	815	-	3,374
Other	13,642	-	377	1,006	15,025
Debt service:					
Principal	-	18,423	-	-	18,423
Interest expense	-	32,707	-	-	32,707
Payment to refunded bond escrow agent	-	2,139	-	-	2,139
Debt issuance costs	-	1,935	-	-	1,935
Total expenditures	99,331	55,204	36,497	6,738	197,770
Revenues over (under) expenditures	101,469	(53,426)	(23,281)	4,384	29,146
Other financing sources (uses):					
Issuance of long-term debt	30,540	-	-	1,495	32,035
Issuance of refunding bonds	-	17,250	-	-	17,250
Premium (discount) on issuance of debt	(80)	(32)	-	-	(112)
Payment to refunded bond escrow agent	-	(13,296)	-	-	(13,296)
Other financing sources	-	729	-	-	729
Transfers in	49,316	92,563	55,939	75	197,893
Transfers out	(146,797)	(36,999)	(13,742)	(355)	(197,893)
Total other financing sources (uses)	(67,021)	60,215	42,197	1,215	36,606
Net change in fund balances	34,448	6,789	18,916	5,599	65,752
Fund balances, beginning of year	192,667	61,012	124,426	24,372	402,477
Fund balances, end of year	$ 227,115	$ 67,801	$ 143,342	$ 29,971	$ 468,229

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities

For the Fiscal Year Ended June 30, 2007
(In Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds (page 25)			$ 65,752
New loans, loan repayments, and related items recognized in governmental funds are reported in the statement of net assets as increases (decreases) in the loans receivable.			
New loans given during the fiscal year		$ 28,340	
Loan repayments received:			
Retained by the Agency	$ (4,028)		
Payable to the City	(2,459)	(6,487)	
Write-offs		(5,860)	
Adjustments		389	
Net change in fair market value		(8,691)	7,691
The net effect of various transactions involving court and other deposits and land held for redevelopment is to increase (decrease) net assets.			
Change in court and other deposits for land acquisition		974	
Change in land held for redevelopment		21,102	22,076
The net effect of various transactions involving capital assets is to decrease net assets.			
Acquisition of land		380	
Conveyance of land		(621)	(241)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation or amortization expense.			
Amortization of leasehold improvements			(473)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.			
Debt issuance costs		1,935	
Amortization of debt issuance costs		(810)	1,125

Continued...

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities - (Continued)

For the Fiscal Year Ended June 30, 2007
(In Thousands)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.		525
Principal repayment of long-term debt is reported as an expenditure in the governmental funds, thus, has the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.		
Principal payment on long-term debt	18,423	
Principal amount paid to refunded bond escrow agent	14,577	33,000
Accrued interest expense on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. This amount represents the increase in accrued interest expense not reported in governmental funds.		(3,418)
Proceeds from issuance of debt are reported as other financing sources in governmental funds and, thus, contribute to the change in fund balances. However, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:		
Tax allocation bonds	(30,540)	
Refunding bonds	(17,250)	
Notes payable	(1,495)	(49,285)
Change in net assets of governmental activities (page 22)		$ 76,752

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Proprietary Funds

Statement of Net Assets

June 30, 2007
(In Thousands)

	Governmental Activities	Business-type Activities
	Internal Service	Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 161,016	$ 401
Unrestricted investments	252,718	-
Receivables:		
Accrued interest	3,476	-
Other	19	51
Due from other funds	7,501	7
Other assets	1,011	1
Total current assets	425,741	460
Noncurrent assets:		
Restricted assets	4,158	6,347
Deferred charges	-	2,031
Capital assets:		
Land	-	10,428
Building and improvements	-	25,534
Equipment	13,312	67
Less accumulated depreciation	(11,517)	(3,345)
Total capital assets, net of accumulated depreciation	1,795	32,684
Total noncurrent assets	5,953	41,062
Total assets	431,694	41,522
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	3,251	572
Interest payable	-	2,556
Due to other funds	419,985	-
Compensated absences	1,862	-
Matured bonds payable	-	760
Other liabilities	3,799	50
Total current liabilities	428,897	3,938
Noncurrent liabilities:		
Advances from other funds	1,795	-
Compensated absences	1,002	-
Notes payable	-	4,037
Bonds payable	-	39,540
Total noncurrent liabilities	2,797	43,577
Total liabilities	431,694	47,515
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	1,795	(9,622)
Restricted for:		
Debt service	-	6,347
Unrestricted	(1,795)	(2,718)
Total net assets (deficit)	$ -	$ (5,993)

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Governmental Activities	Business-type Activities
	Internal Service	Enterprise Fund
Operating revenues:		
Parking receipts	$ -	$ 4,222
Applied charges	36,855	-
Total operating revenues	36,855	4,222
Operating expenses:		
Personnel compensation	20,796	-
Employee benefits	8,413	-
Central office expenses	3,960	-
Depreciation expense	604	651
Other administrative costs	3,082	1,682
Total operating expenses	36,855	2,333
Net income from operating activities	-	1,889
Nonoperating revenues:		
Interest income	39,933	306
Other revenue	-	581
Total nonoperating revenues	39,933	887
Nonoperating expenses:		
Interest on long-term debt	-	2,723
Amortization of bond issuance costs	-	81
Interest income allocated to participating funds	39,933	-
Total nonoperating expenses	39,933	2,804
Net loss from nonoperating activities	-	(1,917)
Total deficit - beginning of year	-	(5,965)
Total deficit - end of year	$ -	$ (5,993)

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Governmental Activities Internal Service	Business-type Activities Enterprise Fund
Cash flows from operating activities:		
Reimbursements for applied charges	$ 36,855	$ -
Parking receipts	-	4,256
Payments to employees	(29,209)	-
Payments to other vendors	(6,733)	(2,650)
Net cash provided by operating activities *	913	1,606
Cash flows from capital and related financing activities:		
Proceeds from issuance of pooled financing bonds	8,000	-
Purchase of Agency bonds	(8,000)	-
Costs of issuance	(429)	-
Original bond issue premiums and discounts	40	-
Reimbursement for applied charges	389	-
Acquisition of capital assets	(956)	(3)
Principal paid on capital debt	-	(1,052)
Interest paid on capital debt	-	(2,362)
Deposits from other funds for capital and financing activities	280,106	1,564
Payments for capital and financing activities	(238,779)	-
Net cash provided (used) by capital and related financing activities	40,371	(1,853)
Cash flows from investing activities:		
Proceeds from sale of investments	1,227,327	7,977
Purchase of investments	(1,289,387)	(8,332)
Interest income	38,817	306
Interest income allocated to other funds	(38,817)	-
Net cash used by investing activities	(62,060)	(49)
Net decrease in cash and cash equivalents	(20,776)	(296)
Cash and cash equivalents, beginning of year	181,792	697
Cash and cash equivalents, end of year	$ 161,016	$ 401
* Reconciliation of operating income to net cash provided by operating activities:		
Net income from operating activities	$ -	$ 1,889
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expenses	604	651
Decrease in other receivables	8	33
Increase in due from other funds	(44)	-
(Increase) decrease in other assets	152	(1)
Decrease in accounts payable and accrued liabilities	(516)	(977)
Increase in compensated absences	66	-
Increase in other liabilities	291	11
Increase in advance from other funds	352	-
Net cash provided by operating activities	$ 913	$ 1,606

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Fiduciary Funds

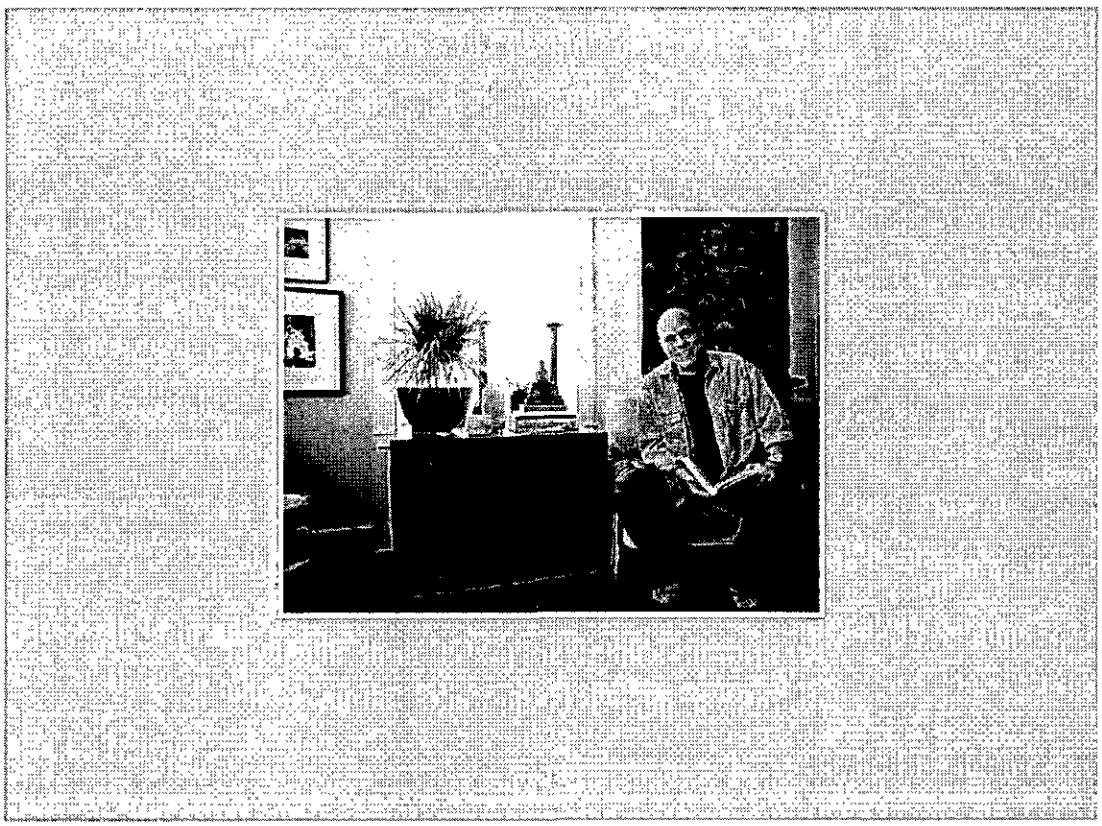
Statement of Fiduciary Net Assets - Agency Funds

June 30, 2007
(In Thousands)

ASSETS		
Due from other funds	$	17,854
Restricted assets		2,540
Total assets	$	20,394
LIABILITIES		
Construction disbursements payable	$	15,962
Other liabilities:		
Good faith deposits payable		3,359
Unclaimed properties		251
Restitution of wages payable		568
Security deposits		254
Total liabilities	$	20,394

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements



Walter Ector, a previously homeless Angelino, was provided housing by the adaptive reuse of the Palomar Apartments. This development is a great demonstration of our focus on providing affordable housing and our ability to revitalize neighborhoods through historic preservation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Community Redevelopment Agency of the City of Los Angeles, California (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The significant accounting principles and policies utilized by the Agency are described below.

A. Reporting Entity

The Agency was established by the Los Angeles City Council (City Council) in 1948 for the purpose of eliminating blight and promoting economic revitalization within designated project areas of the City of Los Angeles (City). As a quasi-governmental entity established pursuant to the Community Redevelopment Law of California as codified in the State of California Health and Safety Code, the Agency has no legislative authority. A Board of seven commissioners (Agency Board) appointed by the Mayor and confirmed by City Council oversees the Agency. Under an "Oversight Ordinance" adopted in 1991, every action of the Agency is subject to City Council review and/or approval.

Under GASB Statement No. 14, the Agency is considered a component unit of the City. The Agency's basic financial statements, which are discretely presented in the basic financial statements of the City, present an aggregation of 1) funds associated with 32 active redevelopment project areas; 2) funds associated with two inactive redevelopment project areas; 3) funds received by the Agency that are designated for specific feasibility studies and housing uses; and 4) other funds that may be used citywide for redevelopment purposes. The redevelopment project areas are separate, individual legal entities and are overseen by the Agency.

CRFA, Blended Component Unit

On June 5, 1992, based on a joint powers agreement, the Agency and the Agency's Industrial Development Authority created the Community Redevelopment Financing Authority (CRFA) for the purpose of issuing one or more pooled bond issues and other financings. By issuing bonds on a pooled basis, issuance costs can be reduced significantly, making previously uneconomic bond financings and refinancings feasible.

The CRFA is an entity legally separate from the Agency but is governed by a board comprised of the same members and officers as that of the Agency. For financial reporting purposes, the CRFA is blended into the Agency's basic financial statements as if it were part of the Agency's operations because its purpose is to provide bond financing services for the Agency. A separate stand-alone report for the CRFA may be obtained through the Office of the Chief Financial Officer of the Agency at 354 South Spring Street, Los Angeles, California 90013.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Agency. Governmental activities, which are normally supported by incremental property taxes, intergovernmental revenues and grants, are reported separately from business-type activities, which rely to a significant extent on fees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Direct expenses also include allocated indirect costs, such as staff salaries, rents, utilities, supplies, depreciation and amortization of capital assets, and other administrative costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The Agency reports the following major funds:

Governmental Funds:

Capital Projects Fund – This fund accounts for all revenues and costs of funding redevelopment activities such as land acquisitions, public improvements, relocations, and other project costs in compliance with the California redevelopment law. Revenues deposited in this fund include incremental property taxes, federal grants, and various project program income.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Housing Fund – This fund represents primarily the set-aside of eligible incremental property tax revenue and tax allocation bond proceeds, which provides housing for low and moderate-income persons in redevelopment project areas, as required by State law. Starting with fiscal year 2003, the Agency increased its financial commitment to affordable housing from 20 percent (minimum required by State law) to 25 percent of new tax increment revenues and from 25 percent to as much as 31.25 percent of new bond proceeds. This is in concert with the establishment of housing as a priority to support the City's Housing Trust Fund Initiative.

Special Revenue Fund – This fund is used to account for the proceeds from specific revenue sources such as developer contributions, art fund contributions, and local grants. Expenditures on this fund are restricted to specific projects.

All of the above governmental funds have annual appropriated budgets. The budget-to-actual comparison of the governmental funds is shown in the Required Supplementary Information and Other Supplementary Information of this report. The Agency's budgetary process is discussed in the Note to Required Supplementary Information on page 69.

Proprietary Funds:

Enterprise Fund – The enterprise fund is used for operations that are financed and operated in a manner similar to private business enterprises. The Agency uses this fund to account for activities related to a public

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

parking garage financed by tax-exempt parking revenue bonds with the intent of servicing the debt, and maintaining and operating the facility through revenues generated by the facility in accordance with the respective bond indenture.

Internal Service Fund – The Agency reports the following funds within its internal service fund:

1) Operating Fund – The Agency uses an operating fund to account for costs of operating the Agency which include staff salaries, rents, utilities, supplies, depreciation and amortization of capital assets, and other administrative costs. These costs are allocated to projects through an indirect cost allocation plan based on each project's direct labor charges.

2) Investment Fund – The Agency uses an investment fund to combine and invest resources of those funds (participating funds) that do not have yield restrictions or other limitations on investments. By combining resources, the Agency is able to increase its investment yield by creating a larger "pool" from which to invest its resources. Interest earned from these pooled investments is allocated to participating funds based on each fund's average daily equity balance during the fiscal year.

   Within the investment fund is a revolving cash account where all cash transactions are made. Cash transactions for each participating funds increase/decrease the equity of that fund in the investment fund while cash transactions for nonparticipating funds create a receivable/payable from/to the investment fund that are cleared periodically through fund transfers.

3) Financing Authority – This fund accounts for the transactions of the CRFA, which is considered a blended component unit in the accompanying basic financial statements.

Additionally, the Agency reports the following fiduciary fund type:

Agency Fund – The agency fund is used to account for assets held by the Agency in an agent capacity and is custodial in nature (assets equal liabilities).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund, which consists of the agency funds apply the accrual basis of accounting but do not have a measurement focus.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Incremental property taxes, interest income, and certain loan repayments are susceptible to accrual. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Other revenues

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

that are generally not measurable until actually received are not accrued. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and costs related to postemployment health benefits are recorded only when payments are due (note 3-B).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Agency also has the option of following subsequent private-sector guidance for its business-type activities and enterprise fund, subject to this same limitation. The Agency has elected not to follow subsequent private-sector guidance.

As a general rule, the effects of interfund activities have been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used which are not eliminated in the process of consolidation.

Amounts reported as program revenues include capital grants and contributions, and charges for services. Internally dedicated resources such as incremental property tax revenues are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Agency's internal service and enterprise funds are applied charges, which are reimbursements from projects for operating costs, and parking receipts, respectively. Operating expenses for internal service and enterprise funds include administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then, unrestricted resources, as they are needed.

D. Cash, Cash Equivalents, and Investments

Cash includes deposits maintained with various banks within redevelopment project areas or banks that benefit redevelopment activities while cash equivalents represent investments with original maturities of 90 days or less. These include investments in the State of California administered Local Agency Investment Fund (LAIF).

All investments including those shown as restricted assets (note 1-F) are carried at amortized cost, which approximates fair value. Under State Law and authority delegated to the Agency by City Council, the Agency is authorized to invest in a variety of securities and financial instruments including interest bearing bank accounts, U.S. Treasuries, Federal agency obligations, certificates of deposit, commercial paper, and the State of California administered LAIF, provided that deposits maintained with banks and savings and loan associations in excess of the Federally insured amount are fully collateralized in accordance with State law governing deposits of public funds. The primary investment considerations are safety, liquidity, and yield.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Loans Receivable

To enhance the redevelopment process, the Agency grants below-market interest rate loans primarily for the rehabilitation and development of low and moderate-income housing and the development of commercial properties. Since these loans are generated to assist various redevelopment project areas, repayment terms are structured to meet requirements established by the Agency and the specific project area. Repayment terms on these loans can be classified in the following categories:

Amortizing loans – loans requiring monthly payments designed to payoff both the principal and interest over a specified period, usually 15-20 years. Included in this category are partially amortizing loans and interest only payment loans requiring balloon payments at maturity date.

Deferred loans – loans requiring repayments only on the earlier of loan due date or when the mortgaged properties are sold or refinanced.

Residual receipts loans – loans requiring repayments only when the project or mortgaged properties have positive cash flows as defined by a specific loan agreement.

As a condition for granting below-market interest rate loans, the Agency requires covenants on these projects including but not limited to defining development terms, income restrictions with respect to tenants and oversight ability on the projects' operations. These covenants, loan conditions, and repayment terms are monitored by the Agency to ensure compliance with redevelopment goals and objectives and specific loan agreements.

In the government-wide financial statements, the Agency's loans receivable are reported net of allowance for market value write-downs and uncollectibles. In the fund financial statements, the Agency's loans receivable are shown in the balance sheet with an offset to a deferred revenue account. Loans are not available spendable resources and are therefore, recorded as project costs in the year the loan is disbursed. Accordingly, repayments of principal and interest are recorded as revenue in the period received.

F. Restricted Assets

Restricted assets consist primarily of investments maintained by the Agency's bond fiscal agents and trustees, under provisions of the bond indentures/fiscal agent agreements/loan agreements, which are considered as pledged collateral for payment of principal and interest on the Agency's tax allocation bond and parking revenue bond obligations.

G. Land Held for Redevelopment

As part of its redevelopment activities, the Agency may acquire land for eventual disposition to housing or commercial real estate developers based on the reuse appraisal of the land. While the Agency may exercise the power of eminent domain to acquire land, the majority of land acquisitions were consummated by means other than eminent domain.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide financial statements, land acquired and subsequently conveyed for redevelopment activities are reported as assets or reduction from the assets, whereas, in the fund financial statements, land acquisitions and dispositions are recorded as project costs or revenues in the year acquired or conveyed.

H. Capital Assets

The Agency's capital assets other than land, and building and improvements are acquired using funds advanced from the CRA Special Revenue Fund. When capital assets are acquired, "Advances to/from Other Funds" are recorded between the internal service fund and the CRA Special Revenue fund. The balances on these accounts are reduced by the depreciation and amortization or sale of these capital assets (note 1-B, Internal Service Fund and note 1-I).

Assets purchased or acquired with original costs of $150 or more and estimated useful life of more than one year are capitalized at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of capital assets other than land is provided using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Building and improvements	30 to 40
Vehicles	5
Office equipment	5
Computer software	5
Computer hardware	3

I. Interfund Receivable, Payable, and Transfers

Interfund transactions are made between funds for various reasons, some of which are statutory in nature. Generally, these interfund transactions only affect funds within a project area as State redevelopment law prohibits the transferring of funds between project areas without an approved finding of benefit.

Interfund receivable/payable between these funds are recorded as current and non-current interfunds and are subject to elimination upon consolidation. Current interfund transactions are reported in the fund financial statements as "Due to/from Other Funds" and long-term interfund transactions as "Advances to/from Other Funds".

The CRA Special Revenue and the Bunker Hill Program Income funds, which are reported in the capital projects fund, may be used for eligible redevelopment expenditures without geographical restrictions. As authorized in the Agency's budgets, these funds are used to pay for expenditures in various projects, either because the projects do not have sufficient resources, or cannot pay for the expenditures due to use-restrictions on their available resources. The beneficiary projects are required to reimburse the CRA Special Revenue fund and Bunker Hill Program Income fund from future available project resources. Because the timing and amounts of these reimbursements are uncertain, the transactions are recorded as transfers, rather than advances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

Agency employees accumulate vacation pay in varying amounts as services are provided. All outstanding vacation time is payable upon termination of employment. Agency employees accumulate sick leave hours with full pay at the rate of 96 hours per fiscal year to a maximum of 800 hours. The Agency pays employees for sick leave as it is used and is not obligated to pay sick leave upon termination of employment. However, the Agency pays 50 percent of the accumulated sick leave in excess of 800 hours as of the end of any fiscal year to active employees and 50 percent of the available sick leave to employees upon retirement.

The vacation earned and accumulated sick leave hours are liquidated in the internal service fund.

K. Long-term Obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. Bond premiums and/or discounts and deferred amounts on refundings are deferred and amortized over the life of the bonds using the straight-line method, as interest expense. Bonds payable are reported net of the applicable unamortized bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Deferred Revenue

The Agency uses a deferred revenue account in the governmental funds to record revenues that do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Agency has a legal claim to them. In subsequent periods, when both revenue criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. In the government-wide financial statements, deferred revenue represents resources that have been received, but not yet earned.

M. Construction Disbursements Payable

The Agency uses a Construction Disbursements Payable (CDP) account within the agency fund to handle "escrow like" functions formerly performed by an outside escrow company. The CDP account enhances control over construction disbursements and allows the Agency to benefit from interest earnings for monies held in the account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Through the CDP account, the Agency provides a disbursement service for borrowers and grantees. Monies deposited to this account are considered loans receivable in the government-wide financial statements, whereas, in the fund financial statements, they are considered as project expenditures at the time of deposit. Interest earnings for the CDP account are returned to the original funding source, unless otherwise specified.

N. Incremental Property Tax Revenues

Incremental property tax revenues represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project area over the amount that is levied and collected on the base year property tax assessment (a property tax base year is determined to be the year prior to the establishment of a redevelopment project area).

The County of Los Angeles (County) assesses properties, bills, and collects property taxes, as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

Pursuant to provisions of the California Constitution and the California Revenue and Taxation Code, county assessors are directed to determine the full cash value of locally assessed real and personal property as of January 1 of each year. Locally assessed property is classified as either secured or unsecured. The secured classification includes property on which property tax levied becomes a lien on the property to secure payment of the taxes. Property taxes levied on unsecured property do not become a lien against the unsecured property, but may become a lien on other property owned by the taxpayer. The State Board of Equalization is charged with assessing the value of state-assessed properties as of January 1 of each year. (All state-assessed property is classified as secured property.) Taxable property is assessed at 100 percent of its full cash value as defined by the California Constitution.

The County remits to the Agency its share of the property taxes levied. Property taxes levied are recorded as receivable in the fiscal year of levy. Revenue is recognized in the fund financial statements when it is measurable and available, as discussed under Basis of Accounting (note 1-C).

O. Net Assets and Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of debt service and specific projects and programs as established by the Agency Board.

Unrestricted net assets – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reserves and designations of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Agency Board and management and can be increased, reduced or eliminated by similar actions.

P. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

Q. Reclassifications

Certain reclassifications have been made in the 2006 financial statements in order to conform to the current year presentation.

NOTE 2 - DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents, and Investments

Cash

Cash consists of cash deposits maintained with various banks within redevelopment project areas or banks that benefit redevelopment activities. At June 30, 2007, the carrying amount of the Agency's cash deposits totaled $3,425,000 while the bank balances totaled $12,607,000. The difference of $9,182,000 represents primarily outstanding checks and other reconciling items. Of the total bank balances, $729,000 was covered by the Federal Depository Insurance Corporation and $11,878,000 was fully collateralized as required by State law and reported to the State Administrator of Local Agency Security to ensure the safety of public deposits.

Under the California Government Code, a financial institution is required to secure deposits in excess of $100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of those deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the Agency's name.

Cash Equivalents

Cash equivalents totaling $159,523,000 represent investments with original maturities of 90 days or less. These include investments in the State of California administered LAIF in the amount of $65,965,000, investments in Federal securities of $75,037,000, and commercial paper of $18,521,000.

Investments

The Agency's investments, which are classified into unrestricted and restricted investments, are carried at amortized cost, which approximates fair value. At June 30, 2007, unrestricted investments consisted almost entirely of U.S. Treasury securities, Federal securities, and commercial paper deposited into Agency safekeeping accounts, which have been established to ensure segregation of Agency owned securities.

Restricted investments, shown as restricted assets consisted primarily of investments maintained with bond fiscal agents and trustees, which are considered as pledged collateral for payment of principal and interest on the Agency's tax allocation bond obligations. Also included in this category were investments by the enterprise fund representing funds held by the trustee for the Cinerama Dome public parking project.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2007

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

At June 30, 2007, cash, cash equivalents, and investments are reflected in the statement of net assets of the accompanying basic financial statements with carrying values as follows (in thousands of dollars):

Cash		$ 3,425
Investments:		
Cash equivalents	$ 159,523	
Unrestricted investments	253,816	
Restricted assets	85,176	498,515
Total		$ 501,940

The Agency's cash equivalents and investments at June 30, 2007 consisted of the following investment types (in thousands of dollars):

Investment Type	Amortized Costs	Fair Value	Weighted Average Maturity (Years)
Investments held by the Agency			
Treasury securities	$ 8,491	$ 8,541	0.36
Federal securities	297,066	299,221	0.35
Commercial paper	54,803	55,666	0.16
Local Agency Investment Fund	65,965	65,965	0.00
Certificates of deposit	100	110	N/A
Total investments held by the Agency	426,425	429,503	
Investments held by fiscal agent or trustee:			
Treasury securities	67,437	67,290	0.49
Repurchase agreement	4,653	4,653	25.02
Total investments held by fiscal agent or trustee	72,090	71,943	
Total investments	$ 498,515	$ 501,446	
Portfolio weighted average maturity for investments held by the Agency (excluding investments held by fiscal agent or trustee)			0.27

The Agency's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would exercise in the management of their own affairs, not for speculation, but for investment considering the general economic conditions and the anticipated needs of the Agency. The objective is to minimize the interest rate risk and credit risk of each investment. In addition, in order to minimize the total volatility of the portfolio, the Agency shall maintain a diversified portfolio of investments.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Interest rate risk. In accordance with the Agency's investment policy, the Agency manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to not more than two (2) years, excluding investments held by a trustee, fiscal agent or escrow bank in connection with an Agency bond, note or certificate of participation issue.

Credit risk. Under the California Government Code, investments in commercial paper are limited to ratings of "A-1" or higher by nationally recognized statistical rating organizations (NRSROs). Accordingly, the Agency's investment policy limits investments in commercial paper to "A-1" or higher by NRSROs. At June 30, 2007, the Agency's investments in commercial paper at amortized costs of $33,417,000 and $11,505,000 are rated A-1 and A-1+, respectively, by Standard & Poor's, and $9,881,000 are rated P-1 by Moody's. The State of California administered LAIF is not rated.

B. Loans Receivable

A schedule of loans receivable at June 30, 2007 including allowance for market value write-downs and uncollectibles is as follows (in thousands of dollars):

	Principal Balance			
	Amortizing	Deferred	Residual Receipts	Total
Outstanding at July 1, 2006	$ 42,524	$ 85,104	$ 407,129	$ 534,757
Additions:				
New loans	-	14,728	13,612	28,340
Reductions:				
Principal repayments	(219)	(1,775)	(2,034)	(4,028)
Program income payable to the City	(2,459)	-	-	(2,459)
Others *	(3,176)	(2,889)	594	(5,471)
Outstanding at June 30, 2007	36,670	95,168	419,301	551,139
Less allowance for market value write-downs and uncollectibles	(17,007)	(89,855)	(377,136)	(483,998)
Balance at June 30, 2007	$ 19,663	$ 5,313	$ 42,165	$ 67,141

* Include loan amendments and service repayments on forgivable loans.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2007

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Changes in capital assets for the year ended June 30, 2007 were as follows (in thousands of dollars):

Description	Balance July 1,2006	Acquisitions	Dispositions	Depreciation/ Amortization	Balance June 30, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 57,778	$ 380	$ (621)	$ -	$ 57,537
Capital assets, being depreciated:					
Building and leasehold improvements	15,826	-	-	-	15,826
Less accumulated depreciation/amortization	(8,699)	-	-	(473)	(9,172)
Net building and leasehold improvements	7,127	-	-	(473)	6,654
Equipment	12,430	956	(74)	-	13,312
Less accumulated depreciation	(10,987)	-	74	(604)	(11,517)
Net equipment	1,443	956	-	(604)	1,795
Net capital assets, being depreciated	8,570	956	-	(1,077)	8,449
Net capital assets, governmental activities	$ 66,348	$ 1,336	$ (621)	$ (1,077)	$ 65,986
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 10,428	$ -	$ -	$ -	$ 10,428
Capital assets, being depreciated:					
Building and improvements	25,534	-	-	-	25,534
Less accumulated depreciation	(2,651)	-	-	(639)	(3,290)
Net building	22,883	-	-	(639)	22,244
Equipment	64	3	-	-	67
Less accumulated depreciation	(43)	-	-	(12)	(55)
Net equipment	21	3	-	(12)	12
Net capital assets, being depreciated	22,904	3	-	(651)	22,256
Net capital assets, business-type activities	$ 33,332	$ 3	$ -	$ (651)	$ 32,684

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Depreciation expense of $473,000 was charged to the community and economic development functions in the governmental activities and $651,000 was charged to the parking facilities in the business-type activities. The balance of depreciation expense of $604,000 was added to other indirect costs which were allocated among all functions in the governmental activities through an indirect cost allocation plan based on direct labor (note 1-B).

D. Interfund Receivable, Payable, and Transfers

The composition of interfund balances and transfers as of June 30, 2007 was as follows (in thousands of dollars):

1) *Due to/from Other Funds:*

Receivable Fund	Payable Fund		Amount
Internal service fund	Internal service fund	$	1,867
	Capital projects fund		5,118
	Debt service fund		409
	Special revenue fund		107
Sub-total			7,501
Capital projects fund	Internal service fund		217,192
Debt service fund	Internal service fund		9,343
Housing fund	Internal service fund		143,511
Special revenue fund	Internal service fund		30,211
Agency fund	Internal service fund		17,854
Enterprise fund	Internal service fund		7
Total		$	425,619

The above interfund receivable/payable amounts represent equity in the Agency investment pool for participating funds and cash transactions made within the Investment fund for non-participating funds (note 1-B, Internal Service Fund).

2) *Advances to/from Other Funds:*

Receivable Fund	Payable Fund		Amount
Capital projects fund	Internal service fund	$	1,795
Capital projects fund	Capital projects fund		9,285
Capital projects fund	Special revenue fund		160
Total		$	11,240

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

The $1,795,000 represents amounts advanced by the CRA Special Revenue fund to the internal service fund for capital asset acquisitions, while the remaining $9,445,000 represents amounts advanced by the Bunker Hill Program Income fund on behalf of projects that do not have available current resources to pay for debt service.

3) *Interfund Transfers:*

Funds Transferred To	Funds Transferred From				
	Capital Projects	Debt Service	Housing	Special Revenue	Total
Capital projects fund	$ 12,212	$ 36,999	$ -	$ 105	$ 49,316
Debt service fund	78,571	-	13,742	250	92,563
Special revenue fund	75	-	-	-	75
Housing fund	55,939	-	-	-	55,939
Total	$ 146,797	$ 36,999	$ 13,742	$ 355	$ 197,893

The $92,563,000 represents amounts transferred to the debt service fund for debt service, while the $55,939,000 consists of the housing set-asides from projects' respective tax increment and bond proceeds funds. The $49,316,000 and the $75,000 represent transfers from and repayments of such transfers to the CRA Special Revenue fund and the Bunker Hill Program Income fund for projects that do not have sufficient current resources to pay for eligible project expenditures (note 1-I).

E. CRFA Bonds

The following table summarizes the CRFA bond transactions for the fiscal year ended June 30, 2007 (in thousands of dollars):

Balance, July 1, 2006	$ 426,265
New bond issues (note 2-F):	
Pooled Financing Bonds, Series O, taxable	8,000
Retirement, various pooled financing bond issues	(10,040)
Defeasance, Grand Central Square Multifamily Housing Bonds, Series A	(19,980)
Balance, June 30, 2007	$ 404,245

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

CRFA bonds outstanding at June 30, 2007 were as follows (in thousands of dollars):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Pooled bonds:					
Pooled Financing Bonds, Series B	8/1/1992	9/1/2014	5.00% - 6.625%	$ 15,820	$ 1,230
Pooled Financing Refunding Bonds, Series E	8/1/1998	9/1/2014	3.60% - 5.00%	21,805	13,230
Pooled Financing Refunding Bonds, Series F	8/1/1998	9/1/2014	4.05% - 5.00%	12,820	7,665
Pooled Financing Bonds, Series H (taxable)	6/15/2002	9/1/2032	8.25% - 9.75%	9,765	9,110
Pooled Financing Bonds, Series I (taxable)	6/1/2003	9/1/2019	2.625%-5.50%	14,890	12,880
Pooled Financing Bonds, Series J (taxable)	9/17/2003	9/1/2033	4.18% - 6.38%	17,970	17,205
Pooled Financing Bonds, Series J	9/17/2003	9/1/2033	2.00% - 5.00%	4,500	4,235
Pooled Financing Bonds, Series K (taxable)	9/17/2003	9/1/2033	6.98% - 9.38%	4,645	4,480
Pooled Financing Bonds, Series L (taxable)	6/28/2006	9/1/2026	5.74% - 6.15%	32,000	32,000
Pooled Financing Bonds, Series M (taxable)	6/29/2006	9/1/2036	6.10% - 6.70%	34,500	34,500
Pooled Financing Bonds, Series N	6/28/2006	9/1/2026	3.50% - 5.25%	8,000	8,000
Pooled Financing Bonds, Series O (taxable)	6/28/2007	9/1/2037	5.94% - 6.66%	8,000	8,000
Revenue bonds:					
Bunker Hill Project Revenue Bonds, Series 2004A	5/19/2004	12/1/2028	3.00% - 5.50%	181,510	180,125
Bunker Hill Project Revenue Bonds, Series 2004B	5/19/2004	12/1/2017	1.49% - 5.83%	87,550	71,585
Total CRFA bonds					$ 404,245

The source of all payments of outstanding principal and interest on the CRFA pooled financing bonds consists of debt service payments on underlying tax allocation bonds and notes issued by the respective Agency redevelopment project areas.

The CRFA revenue bonds are payable exclusively from the revenues, principally constituting payments to be made by the Agency on its Bunker Hill Tax Allocation Refunding Bonds, Series H (BH Series H) and Bunker Hill Tax Allocation Refunding Bonds, Series K (BH Series K), and other funds as provided in the CRFA Indenture.

As a blended component unit, CRFA's activities for financial reporting purposes are blended into the Agency's basic financial statements. Hence, in the accompanying statement of net assets, $404,245,000 receivable/payable between the CRFA and the Agency is eliminated.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt

New Debt Issues - Governmental Activities

Tax Allocation Bonds

1) In June 2007, the Agency through its financing authority, CRFA, issued $8,000,000 aggregate principal amount of taxable Series O pooled financing bonds, at interest rates ranging from 5.94 percent to 6.66 percent. The bonds are secured and payable by loans to the following project areas: (a) the Broadway/Manchester Recovery Redevelopment Project, taxable Series A, $1,500,000; (b) the Crenshaw/Slauson Recovery Redevelopment Project, taxable Series B, $3,000,000; (c) the Earthquake Disaster Assistance Project for the Laurel Canyon Commercial Corridor, taxable Series C, $2,000,000; and (d) the Watts Redevelopment Project, taxable Series A, $1,500,000.

   Proceeds from these bonds are being used by the Agency to finance improvements within the respective project areas named above, to fund separate reserve accounts for the bonds, and to pay the costs of issuance related to the bonds.

2) On June 6, 2007, the Agency issued its Council District Nine Corridors Series E taxable tax allocation bonds in the amount of $12,500,000 at interest rates ranging from 5.875 percent to 6.05 percent to fund various projects in the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project area, to fund a reserve account for the bonds, and to pay the costs of issuing the bonds.

3) On June 7, 2007, the Agency issued its Exposition/University Park Redevelopment Project (Hoover) Series E taxable tax allocation refunding bonds in the amount of $5,905,000 at interest rates ranging from 5.45 percent to 6.00 percent to provide funds for redevelopment activities in the Exposition/University Park Redevelopment Project area, to refinance the Agency's outstanding principal balance of Hoover Redevelopment Tax Allocation Bonds Series D in the amount of $3,055,000, to fund a reserve account for the bonds, and to pay the costs of issuing the bonds (note 2-G).

4) On June 20, 2007, the Agency issued its Adelante Eastside Series C taxable tax allocation bonds in the amount of $10,040,000 at an interest rate of 6.49 percent. The bonds were issued to finance improvements within the Adelante Eastside Redevelopment Project area, to fund a reserve account for the bonds, and to pay the costs of issuing the bonds.

5) On June 21, 2007, the Agency issued its 2007 Grand Central Square Multifamily Housing Revenue refunding bonds in the aggregate amount of $19,960,000 to refinance the $19,980,000 outstanding principal amount of the 1993 Series A Grand Central Square Multifamily Housing Revenue bonds and to fund the reserve accounts for both 2007 bond series (note 2-G). The 2007 bonds, which carry interest rates ranging from 4.00 percent to 5.00 percent, were sold in two series as follows: (a) Series A bonds in the amount of $11,345,000, and (b) Series B bonds in the amount of $8,615,000. The Series A bonds, which are secured by tax increment revenues from the Bunker Hill Project, are reflected as long-term debt in the government-wide financial statements, while the Series B bonds are secured by Proposition A revenues from the Los Angeles County Metropolitan Authority (MTA) and are not included in the long-term debt obligations of the Agency.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Notes Payable, Centre Street Lofts Project

In October 2006, the Agency entered into a loan agreement with Centre Street Lofts, LLC (the developer) to help fund the Centre Street Lofts Affordable Housing Program in the Beacon Street Redevelopment Project area. Under the loan agreement, the developer will provide the Agency with loan proceeds up to $1,900,000 to enable the Agency to assist qualified first time home buyers with soft second mortgages. These soft second mortgages disbursed by the developer to qualified moderate income household borrowers constitute the loan to the Agency which will bear interest initially at 6.5 percent per annum and increases by 50 basis points (i.e., one-half of one percent) on each anniversary date of the note. The maximum interest rate is capped at 9.0 percent. The loan will be repaid from net profit sharing proceeds generated by the project as stipulated in the Disposition and Development Agreement, or site specific tax increment revenues generated by the homes financed by this loan, and any amounts of interest or principal on the "soft second" loans paid by the buyers as described in the Consideration Agreement. At June 30, 2007, a total amount of $1,495,000 in soft second mortgages was recorded as notes payable in the government-wide financial statements.

New Debt Issues - Business-type Activities

Notes Payable, Cinerama Dome Public Parking Project

On August 18, 2000, the Agency issued $44,235,000 of Parking System Revenue Bonds Series 2000A (Series 2000A Bonds) with interest rates ranging from 4.60 percent to 5.80 percent, to finance land acquisition and construction of the Cinerama Dome public parking project located in the Hollywood Redevelopment Project area. The primary source of payment on the Series 2000A Bonds is the facility's parking revenues net of operating and maintenance costs. Under circumstances in which actual net revenues are insufficient to pay debt service, the shortfall could be covered by a $9.325 million letter of credit provided by the developer and/or an Agency's pledge of Hollywood tax increment revenues in amounts up to $1,000,000 annually. The pledge of Hollywood tax increment revenues is subordinate to the Agency's obligation to pay debt service on Hollywood tax allocation bonds, housing set-aside, and pass-through payments. This pledge will be released upon the project reaching "stabilization", which is defined as two consecutive twelve-month periods during which net revenues equal 1.35 times maximum annual debt service on the bonds. The payment of debt service is also insured by ACA Financial Guaranty Corporation.

Due to insufficient net revenues of the parking garage to pay debt service, the Agency had directed the bond trustee to draw against the letter of credit to meet the required debt service payments starting with the January 1, 2003 payment. During the fiscal year, a draw of $173,000 was made against the letter of credit to meet the July 1, 2006 payment. This amount less the $500,000 settlement on the receivable litigation brought the outstanding balance of these draws to $4,037,000 at June 30, 2007 (note 3-E).

The Agency is obligated to reimburse the developer for all draws from the letter of credit plus 10 percent interest per annum from any available cash flow from the parking garage operations and will be due to the developer only after the project has reached "stabilization" as explained above. However, the Agency may prepay this obligation at anytime with no prepayment penalty.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Changes in Long-term Liabilities

Changes in the Agency's long-term liabilities for the year ended June 30, 2007 are summarized as follows (in thousands of dollars):

Description	July 1, 2006	Additions	Retirement/ Defeasance	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Tax allocation bonds payable	$ 607,055	$ 47,790	$ (31,290)	$ 623,555	$ 17,770
Notes payable	19,746	1,495	(1,637)	19,604	1,588
Payable to the City	73,905	-	(73)	73,832	-
Sub-total before premiums/discounts, and deferred amounts on refunding	700,706	49,285	(33,000)	716,991	19,358
Less unamortized premiums/discounts, and deferred amounts on refunding	(1,011)	(970)	445	(1,536)	-
Total bonds and notes	699,695	48,315	(32,555)	715,455	19,358
Compensated absences	2,776	1,715	(1,627)	2,864	1,862
Net long-term liabilities, governmental activities	$ 702,471	$ 50,030	$ (34,182)	$ 718,319	$ 21,220
Business-type activities:					
Revenue bonds payable	$ 42,240	$ -	$ (725)	$ 41,515	$ 760
Notes payable	4,364	173	(500)	4,037	-
Sub-total before premium	46,604	173	(1,225)	45,552	760
Less unamortized premium	(1,264)	-	49	(1,215)	-
Net long-term liabilities, business-type activities	$ 45,340	$ 173	$ (1,176)	$ 44,337	$ 760
Total, net long-term liabilities	$ 747,811	$ 50,203	$ (35,358)	$ 762,656	$ 21,980

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Outstanding Long-term Debt

Long-term debt outstanding at June 30, 2007 is comprised of the following (in thousands of dollars):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Governmental activities:					
Tax allocation bonds:					
Adams Normandie, Series B (taxable)	4/1/1991	7/1/2007	7.25% - 9.00%	$ 2,400	$ 300
Adelante Eastside, Series A (taxable)	6/27/2002	9/1/2032	8.00% - 9.25%	4,750	4,625
Adelante Eastside, Series B (taxable)	7/1/2005	9/1/2035	5.625% - 5.90%	7,000	6,945
Adelante Eastside, Series C (taxable)	6/20/2007	9/1/2037	6.490%	10,040	10,040
Beacon Street, Refunding Series B *	8/1/1998	9/1/2014	4.05% - 5.00%	4,350	2,610
Beacon Street, Series C (taxable)	7/1/2005	9/1/2019	5.625%	2,680	2,660
Broadway/Manchester, Series A (taxable) *	6/28/2007	9/1/2037	5.940% - 6.660%	1,500	1,500
Bunker Hill, Grand Central Square Multifamily Housing, Refunding Series 2007 A	6/21/2007	12/1/2026	4.00% - 5.00%	11,345	11,345
Bunker Hill, Refunding Series H *	12/1/1993	12/1/2028	5.60% - 6.50%	202,175	202,175
Bunker Hill, Refunding Series K *	5/19/2004	12/1/2013	1.49% - 4.990%	56,885	41,470
Bunker Hill, Refunding Subordinate Lien 2004L	5/19/2004	3/1/2019	3.50% - 5.10%	30,955	27,495
Chinatown, Refunding Series C	4/1/1998	7/1/2010	4.00% - 4.70%	13,205	4,495
CD 9 Corridors, Series A (taxable)	6/26/2001	9/1/2023	8.50% - 8.875%	2,000	1,815
CD 9 Corridors, Series B	6/26/2001	9/1/2031	5.875% - 6.00%	2,000	2,000
CD 9 Corridors, Series C (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	5,500	5,295
CD 9 Corridors, Series D (taxable)	3/30/2005	9/1/2034	3.20% - 5.65%	6,500	6,275
CD 9 Corridors, Series E (taxable)	6/6/2007	9/1/2037	5.875% - 6.05%	12,500	12,500
Crenshaw, Refunding Series C *	8/1/1998	9/1/2014	4.05% - 5.00%	3,895	2,350
Crenshaw/Slauson, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,135	1,095
Crenshaw/Slauson, Series B (taxable) *	6/28/2007	9/1/2037	5.94% - 6.66%	3,000	3,000
East Hollywood/Beverly-Normandie, Series A *	9/17/2003	9/1/2033	6.98% - 9.38%	1,885	1,825
East Hollywood/Beverly-Normandie, Series B (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	8,000	8,000
Hollywood, Refunding Series C	3/1/1998	7/1/2022	4.10% - 5.50%	35,840	35,290
Hollywood, Refunding Series D (taxable)	11/25/2003	7/1/2022	1.50% - 6.00%	23,000	18,365
Hollywood, Series E (taxable)	5/9/2006	7/1/2036	6.25%	16,500	16,500
Hoover, Refunding Series C	11/1/1995	9/1/2014	4.75% - 5.50%	5,040	2,540
Exposition/University Park, Refunding Series E (taxable)	6/7/2007	9/1/2032	5.45% - 6.00%	5,905	5,905
Laurel Canyon Commercial Corridor, Refunding Series B (taxable) *	9/17/2003	9/1/2030	6.98% - 9.38%	2,760	2,655
Laurel Canyon Commercial Corridor, Series C (taxable) *	6/28/2007	9/1/2037	5.94% - 6.66%	2,000	2,000
Little Tokyo, Refunding Series D	12/18/2003	7/1/2020	4.30% - 4.75%	11,430	11,430
Little Tokyo, Series E (taxable)	12/18/2003	7/1/2012	2.00% - 5.40%	8,140	5,255
Los Angeles Harbor, Refunding Series C *	8/1/1998	9/1/2014	3.60% - 5.00%	5,345	3,265
Mid-City Recovery, Refunding Series B (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	6,500	6,055

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2007

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Monterey Hills, Refunding Series C *	8/1/1998	9/1/2014	3.60% - 5.00%	12,930	7,985
Monterey Hills, Series D (taxable)	5/9/2002	9/1/2020	6.60%	4,500	4,500
Normandie 5, Refunding Series C *	8/1/1992	9/1/2014	5.00% - 6.625%	6,320	1,230
Normandie 5, Refunding Series D *	8/1/1998	9/1/2014	3.60% - 5.00%	3,530	1,980
Normandie 5, Series E (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	4,330	3,745
North Hollywood, Refunding Series D	2/1/1996	7/1/2015	4.25% - 5.30%	16,825	3,880
North Hollywood, Series E	10/1/2000	7/1/2024	4.20% - 7.50%	5,800	5,265
North Hollywood, Series F	5/1/2002	7/1/2024	2.75% - 5.125%	17,120	16,610
North Hollywood, Refunding Series G	5/18/2006	7/1/2029	3.50% - 4.625%	11,340	11,340
Pacific Corridor, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	5,000	5,000
Pacoima/Panorama City, Series A (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	4,265	4,070
Pacoima/Panorama City, Series B (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	8,000	8,000
Pacoima/Panorama City, Series C *	6/28/2006	9/1/2026	3.50% - 5.25%	8,000	8,000
Pico Union 1, Refunding Series B *	8/1/1998	9/1/2014	4.05% - 5.00%	4,575	2,705
Pico Union 1, Series C (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	3,250	2,815
Pico Union 2, Series A (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	7,310	6,320
Reseda/Canoga Park, Series A *	9/17/2003	9/1/2033	2.00% - 5.00%	4,500	4,235
Reseda/Canoga Park, Series B (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	8,205	7,840
Reseda/Canoga Park, Series C (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	16,000	16,000
Vermont/Manchester, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,130	1,090
Watts, Series A (taxable) *	6/28/2007	9/1/2021	5.94% - 6.39%	1,500	1,500
Watts Corridors Recovery, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,000	870
Western/Slauson, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	2,500	2,500
Westlake, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	11,000	11,000
Wilshire/Koreatown, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	16,000	16,000
Total tax allocation bonds payable before unamortized discount and deferred charges					623,555
* Purchased by and payable to the CRFA.					
Project notes payable:					
Beacon Street, Centre Street Lofts Project	4/25/2007	4/25/2012	6.50% - 9.00%	1,495	1,495
Crenshaw, Marlton Square Project	12/28/2005	12/28/2013	Variable **	6,096	5,017
Los Angeles Harbor, Industrial Development - Block 29	8/13/1999	1/1/2009	8.75%	698	137
North Hollywood, NOHO Commons	8/27/2004	Until Paid	6.00%	9,043	9,043
Various recovery projects, Central Pacific Bank	7/26/2005	7/26/2012	6.814%	5,300	3,912
Total project notes payable					19,604
Payable to the City (note 2-I)					73,832
Total long-term debt, governmental activities					$ 716,991

**The loan has variable interest rates of 2.25 percent plus LIBOR. Interest rate in effect as of June 8, 2007 at 7.695 percent was used in projecting future debt service requirements for the loan.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Business-type activities:					
Revenue bonds:					
Parking System Revenue Bonds, Series A before unamortized premium (discount)	8/18/2000	7/1/2032	4.60% - 5.80%	$ 44,235	$ 41,515
Notes payable:					
Developer letter of credit	12/30/2002	7/1/2032	10.00%	4,537	4,037
Total long-term debt, business-type activities					$ 45,552

The above outstanding tax allocation bonds are secured by the tax increment revenues generated by the respective redevelopment projects.

The bond indentures/fiscal agent agreements contain various limitations and restrictions which require the Agency to perform its duties in accordance with redevelopment law and the redevelopment plan for the respective project and to not invest, reinvest, or expend the proceeds from any tax exempt bond issue in such a manner as to result in the loss of exemption from Federal income taxation of bond interest. The Agency is in compliance with all covenants, restrictions, and limitations of these bond issues.

Pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (Continuing Disclosure Rule), the Agency, or its authorized Dissemination Agent, is required to file an annual financial report for all fixed interest rate bonds issued on or after July 1, 1995. The Dissemination Agent shall file copies of the annual report(s) with each Nationally Recognized Municipal Securities Information Repository approved by the Securities and Exchange Commission, and the appropriate state information depository, if any.

The annual reports on the Agency tax allocation bonds, consist of, but are not limited to, a copy of the Agency's most recent audited financial statements and information updating particular tables in each bond issue's Official Statement. Other types of information are required for third-party supported bond issues (note 3-H, Third-Party Indebtedness), such as housing revenue bonds. Furthermore, if any of eleven enumerated events occur, the Agency is required to promptly notify and instruct the Dissemination Agent to report the occurrence.

In the case of the above notes payable, the outstanding amounts are secured by the following as defined in the respective loan agreements:

1) The $1,495,000 loan from the developer of the Centre Street lofts in the Beacon Street Redevelopment Project area is an unsecured loan.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

2) The $5,017,000 and the $3,912,000 notes issued to Central Pacific Bank are secured by a pledge of the Agency's Bunker Hill program income consisting of ground lease and rental income receipts.

3) The $9,043,000 note payable to the developer of the NOHO Commons project in the North Hollywood Redevelopment Project area (NH Project) is secured by a pledge of the NOHO Common's site specific tax increment revenues. These pledges to the developer are subordinate to the NH Project's existing and future senior-lien bonds and the area-wide tax increment pledge to the City.

4) The $137,000 note payable to the developer of an industrial food processing facility in the Los Angeles Harbor Redevelopment Project area is an unsecured note.

Annual Debt Service Requirements

Annual requirements to amortize all long-term debt outstanding as of June 30, 2007 are reflected in the following table (in thousands of dollars).

Governmental activities:

Year Ending June 30	Tax Allocation Bonds Payable		Notes Payable		Payable to the City (note 2-I)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 17,770	$ 33,950	$ 1,588	$ 2,805	$ -	$ 1,655	$ 19,358	$ 38,410
2009	19,489	33,819	1,587	1,161	-	1,160	21,076	36,140
2010	21,150	32,873	1,519	1,051	-	1,048	22,669	34,972
2011	22,255	31,799	1,519	946	9,378	5,379	33,152	38,124
2012	21,865	30,704	3,014	814	5,600	3,284	30,479	34,802
2013-2017	125,821	134,991	1,334	2,832	2,343	2,649	129,498	140,472
2018-2022	141,466	96,434	-	2,752	1,590	2,332	143,056	101,518
2023-2027	134,949	56,942	-	2,752	4,250	97	139,199	59,791
2028-2032	78,675	22,075	9,043	918	-	-	87,718	22,993
2033-2037	37,830	6,373	-	-	-	-	37,830	6,373
2038	2,285	73	-	-	50,671	-	52,956	73
Total	$ 623,555	$ 480,033	$ 19,604	$ 16,031	$ 73,832	$ 17,604	$ 716,991	$ 513,668

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Business-type activities:

Year Ending June 30	Parking Revenue Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 760	$ 2,345	$ -	$ 1,787	$ 760	$ 4,132
2009	795	2,309	-	404	795	2,713
2010	835	2,270	-	404	835	2,674
2011	875	2,229	-	404	875	2,633
2012	925	2,178	-	404	925	2,582
2013-2017	5,445	10,079	-	2,018	5,445	12,097
2018-2022	7,120	8,415	-	2,018	7,120	10,433
2023-2027	9,390	6,138	-	2,018	9,390	8,156
2028-2032	12,435	3,096	-	2,018	12,435	5,114
2033	2,935	170	4,037	404	6,972	574
Total	$ 41,515	$ 39,229	$ 4,037	$ 11,879	$ 45,552	$ 51,108

G. Advance and Current Refundings of Debt

During the fiscal year, the Agency issued $5,905,000 Exposition/University Park Redevelopment Project Tax Allocation Refunding Bonds, Series E (Federally taxable). Of these bonds, $2,835,000 plus other funds on hand were deposited in escrow to provide resources to pay for all future debt service on the Agency's Hoover Redevelopment Project Tax Allocation Bonds, Series D outstanding in the amount of $3,055,000. The debt service on the refunding bonds is $586,000 less than the debt service on the refunded bonds producing a net present value savings of $150,000. The refunded bonds were considered defeased and the liability has been removed from the government-wide financial statements.

In the same fiscal year, the Agency issued $19,960,000 Grand Central Square Multifamily Housing Revenue Refunding Bonds, Series A and Series B to current refund the $19,980,000 outstanding principal amount of Grand Central Square Multifamily Housing Bonds, 1993 Series A that were issued through the CRFA in 1993. The outstanding amount of $19,980,000, which was 57.67 percent payable from the Bunker Hill Project's tax increment revenues and 42.33 percent payable from the MTA's Proposition A sales tax revenues, were refunded by the $11,345,000 2007 Series A bonds and the $8,615,000 2007 Series B bonds, respectively. The refunding reduced the Agency's total debt service payments by approximately $1,460,000, with most of the savings occurring within the next four years, prior to the expiration of the Bunker Hill Redevelopment plan. The MTA's total debt service payments were reduced by approximately $1,274,000 distributed evenly between the years 2011 and 2026. The net present value savings on the refunding were $760,000 for the Agency and $754,000 for the MTA.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

H. Prior Years Defeasance of Debt

In prior years, the Agency defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities, which were placed in the trust funds held by the respective escrow agents. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called for redemption or matures.

The trust account assets and corresponding liabilities for the defeased bonds are not reflected on the accompanying basic financial statements. At June 30, 2007, bonds outstanding in the amount of $70,132,000 were considered defeased.

I. Payable to the City of Los Angeles

CDBG Regular Program Year Allocations

The Agency's Community Development Block Grant (CDBG) allocations from the City have been structured as either grants or non-interest bearing loans with no definite due dates, or deferred loans. Under various contracts with the City, the Agency has recorded a non-interest bearing loan of $50,671,000 and 20-year loans totaling $17,194,000. These loans are to be repaid from certain sources such as tax increment revenues of the respective redevelopment projects as they become available as defined in the contracts. In addition to the tax increment revenues, the program income earned on the 20-year loan funds is applied as repayments to the 20-year loans.

Pursuant to a City Council authorization, new promissory notes were issued in February 2003 amending the 20-year loans from amortizing notes to deferred notes to cure a technical default by the Agency on these notes. These notes as amended continue to accrue interest at the existing rate and any principal and interest due under the existing notes are deferred until maturity, with an option to extend loan maturity dates for another five years for each respective note.

Interest accrued at June 30, 2007 on these notes in the amount of $8,751,000 was reported as interest payable in the government-wide financial statements.

Hollywood BGIF Loan

The Agency recorded a $935,000 loan under the Block Grant Investment Funds (BGIF) Loan Program at 3.0 percent interest rate to finance the rehabilitation and expansion of the Gogerty Building component of the Capitol Records Campus development in the Hollywood Redevelopment Project area. Repayment of this loan is secured by a pledge of Hollywood site-specific tax increment revenues, which is subordinate to all existing Hollywood Project's tax increment and existing and future senior-lien bond commitments.

The site-specific tax increment revenues pledged to the BGIF loan are currently not sufficient to meet the required loan amortization. Pursuant to the Hollywood BGIF loan agreement, the Agency requested an extension that will provide for a re-amortization of the outstanding loan balance of $830,000 plus any accrued interests thereon, over 20 years at the same interest rate of 3.0 percent. At June 30, 2007, a loan amendment to implement this re-amortization was still pending review by the City.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Hollywood UDAG Loan

On December 1, 2002, the Agency signed a promissory note at 5.50 percent interest rate involving receipt of $4,250,000 Urban Development Action Grant (UDAG) funds from the City, to pay a portion of the Agency's acquisition for the Live Broadcast Theater in the Hollywood Redevelopment Project area. These funds were provided to the Agency in the form of a cooperation agreement and loan that was to be paid out of "community improvement fees" from the developer in accordance with a disposition and development agreement. The cooperation agreement required the return of the Agency's loan repayments back to the Agency to finance qualifying block grant expenditures. On July 25, 2003, the City Council authorized the amendment of the repayment terms to allow the Agency to repay this loan by making City approved qualifying block grant expenditures in the Hollywood Redevelopment Project area. During the fiscal year, a total amount of qualifying block grant expenditures of $262,000 was applied towards interest on this loan.

Beacon Street LADOT Loan

On July 19, 2005, the Los Angeles Department of Transportation (LADOT) loaned the Agency $960,000 from the LADOT's Special Parking Revenue funds for the design and construction of 40 public parking spaces that will be located in the Centre Street Lofts mixed-use project on the Agency's H2 lot in the Beacon Street Redevelopment Project area. Repayment of the loan will come from a combination of (a) Agency/City participation in surplus profits as described in the subject disposition and development agreement and/or (b) the Beacon Street Project's tax increment. In the event the Agency's share of surplus profits prove to be insufficient to repay the entire loan amount, the remaining balance will be amortized over a ten-year period at the City's "pooled fund" interest rate.

The following is a schedule of amounts payable to the City at June 30, 2007 (in thousands of dollars).

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
CDBG, various projects	Various dates	None	-	$ 50,671	$ 50,671
CDBG 20-year loan, various projects	2/6/2003	6/30/2011	5.00%	7,200	6,395
CDBG 20-year loan, various projects	2/6/2003	9/30/2010	5.00%	3,294	2,983
CDBG 20-year loan, various projects	2/6/2003	3/31/2012	5.00%	3,294	3,144
CDBG 20-year loan, various projects	4/1/2003	5/15/2012	5.00%	1,699	1,699
CDBG 20-year loan, various projects	2/6/2003	6/30/2021	5.00%	1,590	1,590
CDBG 20-year loan, various projects	4/1/2003	4/26/2013	5.00%	1,383	1,383
BGIF loan, Hollywood	9/6/2001	4/30/2012	3.00%	935	757
UDAG loan, Hollywood	12/1/2002	12/1/2022	5.50%	4,250	4,250
LADOT loan, Beacon Street	7/19/05	7/19/15	Variable*	960	960
Total payable to the City					$ 73,832

* Pursuant to the loan agreement with the LADOT, interest rate is determined based on the City's pooled fund interest rate for the year that the repayment is made. For purposes of projecting future annual debt service requirements for this loan, the City's pooled fund interest rate of 4.56 percent at June 30, 2007 was used.

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

The Agency's obligation to the City for funds utilized has been recorded as long-term debt in the government-wide financial statements. Annual debt service requirements for the payable to the City are contained in note 2-F.

J. Net Assets and Fund Equity

The following is a schedule of fund balances at June 30, 2007 (in thousands of dollars):

Description	Capital Projects	Debt Service	Housing	Special Revenue	Total
Reserved:					
Debt service	$ -	$ 67,801	$ -	$ -	$ 67,801
Advance to other funds	11,240	-	-	-	11,240
Low and moderate-income housing activities	-	-	123,566	-	123,566
Encumbrances	23,692	-	19,776	925	44,393
Total reserved	34,932	67,801	143,342	925	247,000
Unreserved, designated	192,183	-	-	29,046	221,229
Total fund balances	$ 227,115	$ 67,801	$ 143,342	$ 29,971	$ 468,229

The specific reservations and designations of the fund balances at June 30, 2007, are described below.

- Debt service – amounts set aside for payment of principal and interest on long-term obligations and amounts established to satisfy debt service requirements imposed by various bond agreements.
- Advance to other funds – included in this amount are non-current portion of long-term interfund receivables that do not constitute available financial resources, therefore, are not available for appropriation (notes 1-H and 1-I).
- Low and moderate-income housing activities – amounts set aside from tax increment revenues and bond proceeds to be used for low and moderate-income housing projects.
- Encumbrances – represents a portion of the fund balance set aside for commitments outstanding at the end of the fiscal year arising from approved purchase orders, work orders, loans, and contracts.
- Unreserved, designated – a portion of the fund balance appropriated for the fiscal year 2008 work program.

K. Deficit Net Assets

The enterprise fund had deficit net assets of $5,993,000 at June 30, 2007. Funding for future deficits is discussed in note 2-F (Business-type activities, Notes Payable).

NOTE 3 – OTHER INFORMATION

A. Employees' Retirement System

Plan Description

The Agency contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and authorized by the City Council. Copies of CalPERS' annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, California 95814.

The pension plan covers all full-time employees of the Agency. Under the provision of CalPERS, pension benefits fully vest after five years of service. An employee may retire at age 50 and receive annual pension benefits equal to a predetermined percentage of the employee's salary earned during the highest 12 consecutive months of employment multiplied by the number of years of service. Effective July 1, 1997, the Agency amended its contract with CalPERS changing the retirement formulation from two percent at age 60 to two percent at age 55 in order to provide a retirement incentive to employees. As a result, under the amended plan, the service requirement benefits now vary from 1.426 percent at age 50 to 2.418 percent at age 63 and over multiplied by the number of years of service.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the Agency are established and may be amended by CalPERS. Below is a summary of principal assumptions and methods used to determine the annual required contribution for the fiscal year ended June 30, 2007.

Actuarial valuation date	June 30, 2006
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Average remaining period	21 years as of the valuation date
Asset valuation method	15-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%
Contribution rates for fiscal year ended June 30, 2007:	
Agency	16.492% of covered payroll
Plan members	7% of annual covered payroll (The Agency makes this contribution for the employees on their behalf and for their account.)
Annual pension cost	$3,293,000
Contributions made	$4,664,000 (including contributions for employees of $1,371,000)

NOTE 3 - OTHER INFORMATION (continued)

Three-year Trend Information (dollars in thousands):

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	$ 1,472	100%	$ -
6/30/2006	2,831	100%	-
6/30/2007	3,293	100%	-

B. Other Postemployment Benefits

In addition to the pension benefits described in the employees retirement system, the Agency provides postemployment health care benefits to all employees who retired on or after January 1, 1993, with at least 10 years of service prior to retirement. In accordance with its agreements with various employee bargaining units, the Agency subsidizes retiree health care benefits starting at 40 percent of the maximum annual health care subsidy payable to active Agency employees for the first 10 years of service plus increases at the rate of four percent for each additional year of a retiree's active service. At 25 years of service and at least 50 years of age, a retiree is entitled to receive 100 percent of Agency health care subsidy. The costs of these benefits are now being recognized on a "pay as you go" basis. During the fiscal year, the Agency recognized $599,000 in postemployment health care costs for 104 eligible retirees.

In June 2004, the Government Accounting Standards Board issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), which will require government entities such as the Agency to recognize postemployment health care costs during the working career of Agency employees starting no later than the fiscal year 2008.

On June 16, 2005, the Agency obtained approval from the Agency Board and City Council to negotiate and execute a cooperation agreement with the Los Angeles City Employees' Retirement System (LACERS) or another qualified trustee to manage the postemployment health care benefits of Agency retirees and to deposit up to $3,000,000 into a trust fund as its initial funding for the Agency's OPEB liability. This authorized amount was deposited in the Agency's internal service fund and will be transferred to a future OPEB trust fund.

The proposed cooperation agreement with LACERS did not materialize; therefore, the Agency will request authorization from the Agency Board and the City Council to amend its current contract with CalPERS, which manages the Agency's defined benefit pension plan, to include the investment of Agency funds allocated for the funding of its postemployment health care obligations as defined by GASB Statement No. 45. Concurrent with the Agency's request to amend its contract with CALPERS, the Agency will also report to the Agency Board the actuarial value of its postemployment health care obligations and request authorization to fund the actuarial required contribution.

C. Deferred Compensation

The Agency offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all full-time employees, allows them to defer a portion of their compensation for income tax shelter purposes. The current maximum annual deferral, which is indexed to inflation,

NOTE 3 - OTHER INFORMATION (continued)

is $15,500 a year for the 2007 tax year, plus "catch up" amounts consistent with Internal Revenue Service regulations.

The Plan is administered by independent financial institutions (Plan Administrators) that have fiduciary responsibilities over the plan assets. They invest the deferred amounts as directed by participants, maintain detailed accounting records of individual participant's deferrals and earnings, and disburse funds to the plan participants under the terms of the deferred compensation agreements.

The Plan assets are not considered the property and rights of the Agency; therefore, such assets are not reflected in the accompanying basic financial statements.

D. Central Business District (CBD), City Center, and Central Industrial Redevelopment Projects

The CBD Project's Redevelopment Plan was amended in May 2002. The amendment deleted certain areas of the CBD Project. Some of the deleted areas were incorporated into the City Center Redevelopment Project (adopted May 2002) and into the Central Industrial Redevelopment Project (adopted November 2002). Adoption of these two new projects was intended to allow the Agency to continue funding and working in vital areas of Downtown Los Angeles that remain blighted and still require intervention. The County of Los Angeles (County) and other parties filed and won separate lawsuits in the Superior Court challenging the amendment of the CBD Project and the adoption of the City Center and Central Industrial Redevelopment projects. The Agency appealed to the California Court of Appeal. On April 19, 2005, the Court of Appeal ruled that the amendment of the CBD Project was valid, but the adoption of the City Center and the Central Industrial Redevelopment projects were invalid only to the extent that they allow for receipt of tax increment from property deleted from the CBD Project. The lawsuits were remanded back to the Superior Court to resolve issues regarding blight and project feasibility. The trial regarding the adoption of the City Center Plan was held on October 18, 2006 and a decision was rendered against the Agency. The Agency has appealed the trial court decision. The judgment in the City Center Case is stayed pending appeal. The trial regarding the adoption of the Central Industrial Plan was held on December 12, 2005 and judgment in favor of the Agency was rendered on March 17, 2006. The County appealed the ruling and the Court of Appeal affirmed the judgment in favor of the Agency in the Central Industrial case.

E. Cinerama Dome Public Parking Project

As of June 30, 2006, the parking garage's financial statements show a receivable of $956,000 from the developer of the Cinerama Dome project. This amount, which was calculated based on vacancies of certain commercial spaces, was disputed by the developer. During fiscal year 2006, the Agency initiated litigation to collect this receivable. A settlement agreement was reached on February 28, 2007. The settlement agreement included the Agency's acceptance of a full settlement of this receivable in exchange for the developer's acceptance of a reduction of the Agency's loan on funds drawn from the developer's letter of credit on January 1, 2004 in the amount $500,000 plus the applicable interest at 10 percent per annum. This amount brought down the total draws from the letter of credit from $4,537,000 to $4,037,000 at June 30, 2007 (note 2-F, Business-type Activities).

NOTE 3 - OTHER INFORMATION (continued)

F. Risk Management

The Agency is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance policies. The premiums are paid from the internal service fund and allocated to various functions of the Agency. Potential claims against the Agency not covered by commercial insurance are disclosed in note 3-H.

G. Commitments

Operating Leases

The Agency has several operating leases for office space, which are not included in capital assets. These leases involve the central office facilities and site offices. The total rent expense for operating leases for the year ended June 30, 2007 was $2,016,000.

The Agency has the following contractual agreements for future rental payments at June 30, 2007 (in thousands of dollars):

Fiscal Year Ending June 30	Amount
2008	$ 2,156
2009	1,664
2010	288
2011	176
2012	134
2013-2017	116
2018-2022	58
Total	$ 4,592

Other Commitments

At June 30, 2007, as presented in its fiscal year 2008 Budget, the Agency had approximately $90,330,000 in outstanding commitments. These commitments include projected fiscal year 2008 expenditures for work program pursuant to executed agreements like disposition and development agreements, loan agreements, and memoranda of understanding. They also include projected fiscal year 2008 expenditures for activities mandated by the California Community Redevelopment Law.

NOTE 3 - OTHER INFORMATION (continued)

H. Contingencies

Hollywood and Highland Project

The Agency helped to facilitate public improvement financing for the Hollywood and Highland commercial development by the TrizecHahn Corporation (the developer). Public financing consisted of taxable certificates of participation issued by the Municipal Improvement Corporation of Los Angeles (MICLA) for the live broadcast theater and tax-exempt parking revenue bonds issued by the City for a subterranean parking structure.

The debt service requirements for the theater certificates of participation are paid from the annual lease rental payments from the City's General Fund. To the extent that the transient occupancy tax generated by the hotel project at the site is less than the annual debt service requirement, the developer (or its successor) has guaranteed up to 74 percent of the shortfall. Under certain conditions, the developer may be released from the guarantee after the eleventh year (year 2010). In a cooperation agreement executed in February 2004, the Agency has agreed to guarantee the remaining 26 percent, net of certain exclusions, payable from tax increment revenues or other legally available funds from the Hollywood Redevelopment Project (Project area). The Agency will be released from this guaranty when the developer is released from its guaranty as described above. Unless subordination is approved by the City Council, the pledge of tax increment is senior to all future pledges of tax increment from the Project area.

The parking revenue bonds are payable from and secured by a pledge of the parking revenues deposited into the City's Special Parking Revenue Fund. The February 2004 cooperation agreement does not require the Agency to provide a back-up reimbursement mechanism should parking revenues be insufficient to pay for the debt service on the parking bonds.

The obligation to pay Hollywood Project tax increment revenues to the City, under certain conditions, is subject to prior and senior obligations to pay tax allocation bond debt service, housing set-asides as required by State law, and pass-through payments arising from agreements with the County of Los Angeles, the Los Angeles Unified School District, and the Los Angeles Community College District.

Marlton Square Project

As a condition to the $2,000,000 EDI (Economic Development Initiative) grant for the retail portion of the Marlton Square Project in the Amended Crenshaw Redevelopment Project area, the Agency pledged to pay loan origination costs and interest only payments of up to $2,000,000 on a future HUD Section 108 loan by the City of up to $9,000,000 as part of the public financing for the Marlton Square Project.

North Hollywood HUD Section 108 Loan

The City provided the Agency in fiscal year 2004, a $14,000,000 HUD (Housing and Urban Development) Section 108 loan to partially fund acquisition and relocation costs on the NOHO Commons in the North Hollywood Redevelopment Project area. The loan agreement allows the Agency to assign the loan to the developer. In

NOTE 3 - OTHER INFORMATION (continued)

September 2005, the loan assignment was effected subject to the approval of the City, which is currently in process. As a condition of the developer's assumption of the loan, the Agency conveyed Subarea B of the NOHO Commons and executed a note payable to the developer, at an interest rate of six percent. The note, which is secured by a pledge of the NOHO Commons' site-specific tax increment revenues, was executed to reimburse certain project costs paid for in advance by the developer. In addition, the Agency has pledged to the developer the site-specific tax increment revenues on the NOHO Commons to the extent that the developer's annual returns on investment rate are less than 10 percent. These pledges to the developer are subordinate to the North Hollywood Project's existing and future senior-lien bonds and the area-wide tax increment pledge to the City.

Although there has been an assignment of the loan to the developer, the Agency will maintain its pledge to the City of area-wide tax increment revenues as security for the full $14,000,000 loan. However, this area-wide tax increment pledge is subordinate to the North Hollywood Project's existing and future senior-lien bonds. The loan is further secured by an unconditional guaranty of payment not to exceed $12,307,000. J.H. Snyder Company, a company related to the developer, issued the guaranty.

Regency Billboard Litigation

In October 2003, the Federal Court issued a pre-trial ruling on a lawsuit filed against the Agency (in 1999) by Regency Outdoor Systems (Regency) based on the Agency's denial of two billboard applications in the Hollywood and Exposition/University Park Redevelopment Project areas. The pre-trial ruling denied almost all of Regency's claim, including a claim for lost profits, but found the Agency's use of its Redevelopment Plan provisions to review Regency's billboard applications to violate Regency's First Amendment rights, and indicated they could seek (at trial) lost processing and attorney fees. Agency legal staff estimates that a trial court award of such fees would not exceed $1 million. In January 2004, the Federal Court directed the Agency and Regency into settlement discussions. Settlement discussions continued through November 2006. A settlement discussion held before the Federal District Court on November 21, 2006 did not result in a settlement. Regency has re-opened the litigation to include 20 other sign applications, in addition to the two applications that were the subject of the prior court rulings. The Agency's legal counsel believes that it is unlikely that Regency's motion will be granted by the court.

Slauson Shopping Center

The Disposition and Development Agreement for the development of the Slauson Shopping Center (Center) between Slauson Central LLC (the developer) and the Agency provides for the developer to enter into a loan agreement with the City in the amount of $2,005,000 as a condition of conveyance of the property to be acquired by the Agency and conveyed to the developer. This loan will be secured by deed of trust on the property from the developer to the City, subordinate only to the permanent financing on the property. The Agency has executed a cooperation agreement with the City for use of the Section 108 funds and has also pledged site-specific tax increment on the Center to the City for use in repayment of Section 108 Loan funds borrowed by the developer for the Center. This pledge is subordinate to the redevelopment project area's existing and future senior-lien tax increment bonds. The developer will be responsible for the annual repayment of this loan if City site-specific tax revenue allocated to the Center and the Agency's pledged site-specific tax increment revenue are not adequate to service the loan.

NOTE 3 - OTHER INFORMATION (continued)

Other Litigation

In the normal course of business, the Agency has been named as a defendant or co-defendant in several lawsuits and claims arising from its redevelopment activities. These claims against the Agency have been evaluated and, upon consultation with the Los Angeles City Attorney, Agency management believes that the ultimate resolution of such claims will not have a material adverse impact on the financial condition of the Agency.

In addition, the Agency, as a result of its real estate acquisition activities, is involved in eminent domain and other related litigation which may result either in judgment or settlement amounts significantly higher than its initial court deposits or anticipated payments.

Third-Party Indebtedness

It is the policy of the Agency to encourage redevelopment activities on the part of the private sector. To this end, the Agency has authorized the issuance of tax-exempt long-term financing for activities, which promote redevelopment within the City. Such debt instruments are collateralized by private sector assets and are payable solely from the respective revenues generated thereon. Since this indebtedness is not a liability of the Agency it does not appear in the accompanying basic financial statements. As of June 30, 2007, the balance of long-term tax-exempt third-party indebtedness was $763,659,000 as shown on pages 89 through 91.

Required Supplementary Information

The Wilshire Vermont Project is a great example of public/private partnerships creating Green Urbanism within the City of Los Angeles. The Wilshire Vermont Project created a sustainable, mixed-use, transit-oriented development that is built to be energy efficient and created 1,330 construction jobs and nearly 200 permanent jobs for local residents.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Employees' Pension Plan

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Funded Ratio	Covered Payroll	(Overfunded) Unfunded AAL as a Percentage of Covered Payroll
6/30/04	$ 108,016	$ 125,842	$ 17,826	85.8%	$ 15,244	116.9%
6/30/05	114,728	130,467	15,739	87.9%	16,359	96.2%
6/30/06	123,768	137,943	14,175	89.7%	17,498	81.0%

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Housing Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Initial Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest income	$ 3,316	$ 3,845	$ 8,929	$ 5,084
Loan repayments	1,781	2,961	2,779	(182)
Rental income	-	-	6	6
Other	-	-	1,502	1,502
Total revenues	5,097	6,806	13,216	6,410
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	5,098	5,660	4,855	805
Real estate and other acquisition costs	6,664	9,834	2,647	7,187
Housing	41,654	47,593	17,867	29,726
Rehabilitation	10,981	5,610	1,301	4,309
Relocation	2,330	211	76	135
Development loans	11,812	23,959	7,665	16,294
Community service	15	1,436	894	542
Tax increment administrative fees	817	817	815	2
Other	7,524	3,770	377	3,393
Total expenditures	86,895	98,890	36,497	62,393
Revenues over (under) expenditures	(81,798)	(92,084)	(23,281)	68,803
Other financing sources (uses):				
Transfers in	42,202	42,202	55,939	13,737
Transfers out	(13,054)	(13,054)	(13,742)	(688)
Total other financing sources (uses)	29,148	29,148	42,197	13,049
Net change in fund balances	(52,650)	(62,936)	18,916	81,852
Fund balances, beginning of year	87,605	124,426	124,426	-
Fund balances, end of year	$ 34,955	$ 61,490	$ 143,342	$ 81,852

See accompanying independent auditor's report and note to required supplementary information.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2007 (In Thousands)

	Initial Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Grants	$ -	$ 4	$ 260	$ 256
Interest income	291	291	1,385	1,094
Loan repayments	50	50	11	(39)
Rental income	-	-	39	39
Developer participation	250	787	1,652	865
City participation	4,923	5,079	7,423	2,344
Other	300	300	352	52
Total revenues	5,814	6,511	11,122	4,611
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	227	73	-	73
Real estate and other acquisition costs	-	2,633	665	1,968
Housing	-	1,900	1,495	405
Rehabilitation	639	92	-	92
Public improvement	3,058	6,587	1,804	4,783
Relocation	50	650	600	50
Community service	-	1,514	1,168	346
Other	10,524	14,407	1,006	13,401
Total expenditures	14,498	27,856	6,738	21,118
Revenues over (under) expenditures	(8,684)	(21,345)	4,384	25,729
Other financing sources (uses):				
Issuance of long-term debt	-	1,900	1,495	(405)
Transfers in	75	75	75	-
Transfers out	(273)	(2,892)	(355)	2,537
Total other financing sources (uses)	(198)	(917)	1,215	2,132
Net change in fund balances	(8,882)	(22,262)	5,599	27,861
Fund balances, beginning of year	10,712	24,372	24,372	-
Fund balances, end of year	$ 1,830	$ 2,110	$ 29,971	$ 27,861

See accompanying independent auditor's report and note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Accounting

The Agency's annual budget is prepared under guidelines established by State redevelopment law and the City of Los Angeles Budget Ordinance and is presented for reporting purposes on a basis consistent with generally accepted accounting principles. The budget is approved by the City Council and adopted by the Agency Board before the beginning of the new fiscal year. In addition, because the Agency's budget is prepared well in advance of the fiscal year to which it relates, the budget is regularly amended for changes in available resources and project objectives, with the approval of the Agency Board and City Council.

The Agency's annual budget is more comparable to a capital improvement budget, whereby projects are not typically proposed, started, and completed in one fiscal year. Therefore, funds available in a fiscal year may be allocated for expenditure over a multi-year period. Certain funds are therefore allocated to "carryover" into future years beyond the fiscal year of the budget. These future year allocations along with any unexpended revenue from prior years are analyzed at year-end as part of the annual budget process called the carryover amendment.

The carryover amendment amends the new year budget for any unexpended revenues from prior years that have not been previously estimated in the new year budget. The process occurs as of June 30, after the traditional accounting close. Once the prior year is closed, an analysis of encumbrances, contracts, commitments, and other existing activities is performed and evaluated against original program objectives and resources. Any excess of revenues over expenditures for the prior year is credited to the fund balance of the respective funds and is considered as part of the carryover revenue in the new year.

After carryover revenue is determined, the Agency performs a complete re-examination of the purposes of each project objective without any reference to what has gone before. Previously approved spending levels, including future year allocations, are reviewed in detail and are not automatically carried over into the next fiscal year. Work program objectives and commitments must be justified to warrant allocation of carryover revenue.

This concept of "zero based budgeting" has been successfully applied to the Agency's unique business structure and provides a timely opportunity to review the status of objectives in each redevelopment area. By this method, prior year revenues are reallocated to either pre-existing or new objectives, in new and updated amounts, through the carryover process.

Other Supplementary Information

As part of National Neighbor Works Week, scores of volunteers turned up for the first, Neighborhood Pride Day in Canoga Park. Five lucky homeowners had their homes painted for free, trees planted, graffiti removed and streets and alleys cleared of debris.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Initial Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Incremental property taxes	$ 125,567	$ 125,567	$ 161,300	$ 35,733
Grants	6,819	23,628	19,730	(3,898)
Interest income	3,524	3,524	12,349	8,825
Loan repayments	213	213	1,238	1,025
Rental income	3,534	3,534	4,529	995
Developer participation	-	10	60	50
City participation	250	250	262	12
Other	250	1,620	1,332	(288)
Total revenues	140,157	158,346	200,800	42,454
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	34,277	37,724	32,000	5,724
Real estate and other acquisition costs	23,639	53,881	24,117	29,764
Housing	11,717	13,440	8,173	5,267
Rehabilitation	14,632	20,911	5,602	15,309
Public improvement	30,574	29,472	5,632	23,840
Relocation	1,080	2,194	1,855	339
Development loans	22,282	7,102	1,136	5,966
Community service	6,643	8,297	4,615	3,682
Tax increment administrative fees	2,160	2,580	2,559	21
Other	26,128	49,985	13,642	36,343
Total expenditures	173,132	225,586	99,331	126,255
Revenues over (under) expenditures	(32,975)	(67,240)	101,469	168,709
Other financing sources (uses):				
Issuance of long-term debt	25,631	30,540	30,540	-
Premium (discount) on issuance of debt	-	(80)	(80)	-
Transfers in	5,801	5,801	49,316	43,515
Transfers out	(92,275)	(89,656)	(146,797)	(57,141)
Total other financing sources (uses)	(60,843)	(53,395)	(67,021)	(13,626)
Net change in fund balances	(93,818)	(120,635)	34,448	155,083
Fund balances, beginning of year	116,204	192,667	192,667	-
Fund balances, end of year	$ 22,386	$ 72,032	$ 227,115	$ 155,083

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Initial Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest income	$ -	$ -	$ 1,778	$ 1,778
Total revenues	-	-	1,778	1,778
Expenditures:				
Debt service:				
Principal	18,049	18,538	18,423	115
Interest expense	36,842	32,707	32,707	-
Payment to refunded bond escrow agent	-	2,139	2,139	-
Debt issuance costs	-	1,946	1,935	11
Total expenditures	54,891	55,330	55,204	126
Revenues over (under) expenditures	(54,891)	(55,330)	(53,426)	1,904
Other financing sources (uses):				
Issuance of refunding bonds	-	17,250	17,250	-
Premium (discount) on issuance of debt	-	(32)	(32)	-
Payment to refunded bond escrow agent	-	(13,296)	(13,296)	-
Other financing sources	-	729	729	-
Transfers in	59,207	59,207	92,563	33,356
Transfers out	(1,683)	(6,334)	(36,999)	(30,665)
Total other financing sources (uses)	57,524	57,524	60,215	2,691
Net change in fund balances	2,633	2,194	6,789	4,595
Fund balances, beginning of year	51,054	61,012	61,012	-
Fund balances, end of year	$ 53,687	$ 63,206	$ 67,801	$ 4,595

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2007
(In Thousands)

	Operating Fund	Investment Fund	Financing Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 950	$ 160,066	$ -	$ 161,016
Unrestricted investments	-	252,718	-	252,718
Receivables:				
Accrued interest	-	3,476	-	3,476
Other	19	-	-	19
Due from other funds	7,501	-	-	7,501
Other assets	1,011	-	-	1,011
Total current assets	9,481	416,260	-	425,741
Noncurrent assets:				
Restricted assets	-	-	4,158	4,158
Capital assets:				
Equipment	13,312	-	-	13,312
Less accumulated depreciation	(11,517)	-	-	(11,517)
Total capital assets, net of accumulated depreciation	1,795	-	-	1,795
Total noncurrent assets	1,795	-	4,158	5,953
Total assets	11,276	416,260	4,158	431,694
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,251	-	-	3,251
Due to other funds	-	416,260	3,725	419,985
Compensated absences	1,862	-	-	1,862
Other liabilities	3,366	-	433	3,799
Total current liabilities	8,479	416,260	4,158	428,897
Noncurrent liabilities:				
Advances from other funds	1,795	-	-	1,795
Compensated absences	1,002	-	-	1,002
Total noncurrent liabilities	2,797	-	-	2,797
Total liabilities	11,276	416,260	4,158	431,694
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	1,795	-	-	1,795
Unrestricted	(1,795)	-	-	(1,795)
Total net assets (deficit)	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Operating Fund	Investment Fund	Financing Authority	Total
Operating revenues:				
Applied charges	$ 36,855	$ -	$ -	$ 36,855
Total operating revenues	36,855	-	-	36,855
Operating expenses:				
Personnel compensation	20,796	-	-	20,796
Employee benefits	8,413	-	-	8,413
Central office expenses	3,960	-	-	3,960
Depreciation expense	604	-	-	604
Other administrative costs	3,082	-	-	3,082
Total operating expenses	36,855	-	-	36,855
Net income from operating activities	-	-	-	-
Nonoperating revenues:				
Interest income	-	18,483	21,450	39,933
Total nonoperating revenues	-	18,483	21,450	39,933
Nonoperating expenses:				
Interest income allocated to participating funds	-	18,483	21,450	39,933
Total nonoperating expenses	-	18,483	21,450	39,933
Net income from nonoperating activities	-	-	-	-
Total net assets - beginning of year	-	-	-	-
Total net assets - end of year	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Operating Fund	Investment Fund	Financing Authority	Total
Cash flows from operating activities:				
Reimbursements for applied charges	$ 36,855	$ -	$ -	$ 36,855
Payments to employees	(29,209)	-	-	(29,209)
Payments to other vendors	(6,733)	-	-	(6,733)
Net cash provided by operating activities *	913	-	-	913
Cash flows from capital and related financing activities:				
Proceeds from issuance of pooled financing bonds	-	-	8,000	8,000
Purchase of Agency bonds	-	-	(8,000)	(8,000)
Costs of issuance	-	-	(429)	(429)
Original bond issue premiums and discounts	-	-	40	40
Reimbursement for applied charges	-	-	389	389
Acquisition of capital assets	(956)	-	-	(956)
Deposits from other funds for capital and financing activities	-	280,106	-	280,106
Payments for capital and financing activities	-	(238,779)	-	(238,779)
Net cash provided (used) by capital and related financing activities	(956)	41,327	-	40,371
Cash flows from investing activities:				
Proceeds from sale of investments	-	1,227,327	-	1,227,327
Purchase of investments	-	(1,289,387)	-	(1,289,387)
Interest income	-	17,367	21,450	38,817
Interest income allocated to other funds	-	(17,367)	(21,450)	(38,817)
Net cash used by investing activities	-	(62,060)	-	(62,060)
Net decrease in cash and cash equivalents	(43)	(20,733)	-	(20,776)
Cash and cash equivalents, beginning of year	993	180,799	-	181,792
Cash and cash equivalents, end of year	$ 950	$ 160,066	$ -	$ 161,016

	Operating Fund	Investment Fund	Financing Authority	Total
* Reconciliation of operating income to net cash provided by operating activities:				
Net income from operating activities	$ -	$ -	$ -	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expenses	604	-	-	604
Decrease in other receivables	8	-	-	8
Increase in due from other funds	(44)	-	-	(44)
Decrease in other assets	152	-	-	152
Decrease in accounts payable and accrued liabilities	(516)	-	-	(516)
Increase in compensated absences	66	-	-	66
Increase in other liabilities	291	-	-	291
Increase in advance from other funds	352	-	-	352
Net cash provided by operating activities	$ 913	$ -	$ -	$ 913

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Fiduciary Funds

Combining Statement of Fiduciary Net Assets - Agency Funds

June 30, 2007
(In Thousands)

	Deposits	Construction Disbursements	Total
ASSETS			
Due from other funds	$ 1,892	$ 15,962	$ 17,854
Restricted assets	2,540	-	2,540
Total assets	$ 4,432	$ 15,962	$ 20,394
LIABILITIES			
Construction disbursements payable	$ -	$ 15,962	$ 15,962
Other liabilities:			
Good faith deposits payable	3,359	-	3,359
Unclaimed properties	251	-	251
Restitution of wages payable	568	-	568
Security deposits	254	-	254
Total liabilities	$ 4,432	$ 15,962	$ 20,394

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Fiduciary Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Deposits				
Assets				
Due from other funds	$ 1,655	$ 602	$ 365	$ 1,892
Restricted assets	2,487	53	-	2,540
Total assets	$ 4,142	$ 655	$ 365	$ 4,432
Liabilities				
Good faith deposits payable	$ 3,195	$ 650	$ 486	$ 3,359
Unclaimed properties	251	-	-	251
Restitution of wages payable	589	15	36	568
Security deposits	107	165	18	254
Total liabilities	$ 4,142	$ 830	$ 540	$ 4,432
Construction Disbursements				
Assets				
Due from other funds	$ 5,999	$ 26,772	$ 16,809	$ 15,962
Total assets	$ 5,999	$ 26,772	$ 16,809	$ 15,962
Liabilities				
Construction disbursements payable	$ 5,999	$ 26,772	$ 16,809	$ 15,962
Total liabilities	$ 5,999	$ 26,772	$ 16,809	$ 15,962
Total Agency Funds				
Assets				
Due from other funds	$ 7,654	$ 27,374	$ 17,174	$ 17,854
Restricted assets	2,487	53	-	2,540
Total assets	$ 10,141	$ 27,427	$ 17,174	$ 20,394
Liabilities				
Construction disbursements payable	$ 5,999	$ 26,772	$ 16,809	$ 15,962
Good faith deposits payable	3,195	650	486	3,359
Unclaimed properties	251	-	-	251
Restitution of wages payable	589	15	36	568
Security deposits	107	165	18	254
Total liabilities	$ 10,141	$ 27,602	$ 17,349	$ 20,394

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area

June 30, 2007
(In Thousands)

	Adams Normandie	Adelante Eastside	Beacon Street	Broadway/ Manchester	Bunker Hill	Central Business District
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted investments	-	-	-	-	-	1,098
Receivables:						
Incremental property taxes	-	620	66	20	1,650	-
Grants	-	-	-	-	30	132
Accrued interest	-	-	-	-	-	2
Other, net of uncollectibles of $196	-	-	14	-	304	41
Due from other funds	-	16,431	1,725	2,794	55,321	10,564
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	324	62	565	-	27,254	10,651
Restricted assets	371	2,571	702	120	26,172	1,494
Advances to other funds	-	-	500	-	10,203	-
Other assets	-	-	-	-	4	-
Total assets	$ 695	$ 19,684	$ 3,572	$ 2,934	$120,938	$ 23,982
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ -	$ 133	$ 6	$ 3	$ 632	$ 76
Due to other funds	-	-	270	-	434	133
Advances from other funds	-	177	500	763	148	-
Deferred revenue	324	62	565	300	27,775	10,671
Other liabilities	-	457	7	61	1,160	1,476
Total liabilities	324	829	1,348	1,127	30,149	12,356
Fund balances:						
Reserved for:						
Debt service	371	2,540	1,108	120	27,290	-
Low and moderate-income housing activities	-	8,766	513	254	19,760	4,746
Advances to other funds	-	177	500	763	1,406	-
Encumbrances	-	1,004	174	32	15,089	424
Unreserved, designated for continuing work programs	-	6,368	(71)	638	27,244	6,456
Total fund balances	371	18,855	2,224	1,807	90,789	11,626
Total liabilities and fund balances	$ 695	$ 19,684	$ 3,572	$ 2,934	$120,938	$ 23,982

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area - (Continued)

June 30, 2007
(In Thousands)

	Central Industrial	Chinatown	City Center	Council District 9	Crenshaw	Crenshaw/ Slauson
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ 20	$ -	$ -
Unrestricted investments	-	-	-	-	-	-
Receivables:						
Incremental property taxes	-	280	-	307	32	55
Grants	-	-	121	-	11	-
Accrued interest	-	-	-	-	-	-
Other, net of uncollectibles of $196	-	1	-	-	-	-
Due from other funds	-	8,641	205	22,778	2,775	4,060
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	-	636	-	579	172	79
Restricted assets	-	2,686	-	2,902	307	524
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ -	$ 12,244	$ 326	$ 26,586	$ 3,297	$ 4,718
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ -	$ 51	$ -	$ 1,103	$ 3	$ 2
Due to other funds	-	1	121	20	10	-
Advances from other funds	-	-	-	837	1,683	670
Deferred revenue	-	651	-	579	173	79
Other liabilities	-	-	-	783	197	151
Total liabilities	-	703	121	3,322	2,066	902
Fund balances:						
Reserved for:						
Debt service	-	2,943	-	2,893	789	517
Low and moderate-income housing activities	-	3,616	-	7,865	154	242
Advances to other funds	-	-	-	837	1,683	670
Encumbrances	-	1,001	44	1,493	49	70
Unreserved, designated for continuing work programs	-	3,981	161	10,176	(1,444)	2,317
Total fund balances	-	11,541	205	23,264	1,231	3,816
Total liabilities and fund balances	$ -	$ 12,244	$ 326	$ 26,586	$ 3,297	$ 4,718

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area - (Continued)

June 30, 2007
(In Thousands)

	East Hollywood/ Beverly-Normandie	Exposition/ University Park	Hollywood	Laurel Canyon	Little Tokyo	Los Angeles Harbor
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 24	$ -	$ -	$ -
Unrestricted investments	-	-	-	-	-	-
Receivables:						
Incremental property taxes	66	548	-	283	335	60
Grants	57	-	137	-	-	-
Accrued interest	-	-	-	-	-	-
Other, net of uncollectibles of $196	-	2	26	4	108	17
Due from other funds	18,759	6,287	24,793	7,887	7,510	2,432
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	566	1,032	9,242	36	1,478	179
Restricted assets	694	388	3,821	737	3,069	428
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 20,142	$ 8,257	$ 38,043	$ 8,947	$ 12,500	$ 3,116
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 615	$ 10	$ 312	$ 21	$ 8	$ 8
Due to other funds	57	-	190	-	-	-
Advances from other funds	541	-	-	367	-	-
Deferred revenue	566	1,032	9,271	36	1,583	196
Other liabilities	284	144	3,010	214	71	25
Total liabilities	2,063	1,186	12,783	638	1,662	229
Fund balances:						
Reserved for:						
Debt service	694	388	4,295	738	3,404	428
Low and moderate-income housing activities	3,718	1,633	8,688	3,277	4,395	1,701
Advances to other funds	541	-	-	367	-	-
Encumbrances	74	322	2,278	86	853	198
Unreserved, designated for continuing work programs	13,052	4,728	9,999	3,841	2,186	560
Total fund balances	18,079	7,071	25,260	8,309	10,838	2,887
Total liabilities and fund balances	$ 20,142	$ 8,257	$ 38,043	$ 8,947	$ 12,500	$ 3,116

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area - (Continued)

June 30, 2007
(In Thousands)

	Mid-City Recovery	Monterey Hills	Normandie 5	North Hollywood	Pacific Corridor	Pacoima/ Panorama City
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 2	$ 131	$ -	$ -
Unrestricted investments	-	-	-	-	-	-
Receivables:						
Incremental property taxes	161	136	396	1,041	232	1,230
Grants	255	-	-	355	-	-
Accrued interest	-	-	-	26	-	51
Other, net of uncollectibles of $196	81	-	1	38	-	-
Due from other funds	5,087	8,094	5,854	16,255	6,828	35,489
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	109	547	236	663	78	662
Restricted assets	1,125	1,303	1,437	6,157	582	7,185
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 6,818	$ 10,080	$ 7,926	$ 24,666	$ 7,720	$ 44,617
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 96	$ 28	$ -	$ 475	$ 57	$ 716
Due to other funds	190	-	-	688	-	-
Advances from other funds	311	-	1	-	-	946
Deferred revenue	109	547	236	699	78	662
Other liabilities	225	115	66	137	180	961
Total liabilities	931	690	303	1,999	315	3,285
Fund balances:						
Reserved for:						
Debt service	1,114	2,584	1,803	3,136	582	1,304
Low and moderate-income housing activities	2,186	3,187	1,848	7,499	2,648	3,747
Advances to other funds	311	-	1	-	-	946
Encumbrances	762	61	1,627	1,605	448	3,852
Unreserved, designated for continuing work programs	1,514	3,558	2,344	10,427	3,727	31,483
Total fund balances	5,887	9,390	7,623	22,667	7,405	41,332
Total liabilities and fund balances	$ 6,818	$ 10,080	$ 7,926	$ 24,666	$ 7,720	$ 44,617

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area - (Continued)

June 30, 2007
(In Thousands)

	Pico Union 1	Pico Union 2	Reseda/ Canoga Park	Rodeo/ La Cienega	Vermont/ Manchester	Watts
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 1
Unrestricted investments	-	-	-	-	-	-
Receivables:						
Incremental property taxes	43	213	1,411	-	108	39
Grants	-	-	145	-	-	201
Accrued interest	-	-	16	-	-	-
Other, net of uncollectibles of $196	3	-	-	-	-	-
Due from other funds	3,330	13,874	33,413	405	1,384	4,783
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	271	95	602	-	51	407
Restricted assets	877	1,183	3,852	-	177	169
Advances to other funds	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 4,524	$ 15,365	$ 39,439	$ 405	$ 1,720	$ 5,600
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 53	$ 3	$ 269	$ -	$ 1	$ 87
Due to other funds	-	-	171	-	-	135
Advances from other funds	-	-	1,012	-	327	-
Deferred revenue	271	95	602	-	51	407
Other liabilities	-	77	899	-	43	37
Total liabilities	324	175	2,953	-	422	666
Fund balances:						
Reserved for:						
Debt service	1,293	1,183	2,309	-	171	169
Low and moderate-income housing activities	634	4,565	11,774	405	342	682
Advances to other funds	-	-	1,012	-	327	-
Encumbrances	142	135	7,511	-	45	607
Unreserved, designated for continuing work programs	2,131	9,307	13,880	-	413	3,476
Total fund balances	4,200	15,190	36,486	405	1,298	4,934
Total liabilities and fund balances	$ 4,524	$ 15,365	$ 39,439	$ 405	$ 1,720	$ 5,600

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Balance Sheet -
By Redevelopment Project Area - (Continued)

June 30, 2007
(In Thousands)

	Watts Corridors	Western/ Slauson	Westlake	Wilshire/ Koreatown	Other	Total
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 1,353	$ 1,531
Unrestricted investments	-	-	-	-	-	1,098
Receivables:						
Incremental property taxes	45	-	97	1,661	-	11,135
Grants	-	-	2	-	3,992	5,438
Accrued interest	-	-	-	-	-	95
Other, net of uncollectibles of $196	-	-	-	-	170	810
Due from other funds	1,235	4,776	16,197	31,396	18,895	400,257
Loans receivable, net of allowance for market value write-downs and uncollectibles of $483,998	-	-	465	129	9,971	67,141
Restricted assets	201	290	1,283	1,864	-	74,671
Advances to other funds	-	-	-	-	537	11,240
Other assets	-	-	-	-	115	119
Total assets	$ 1,481	$ 5,066	$ 18,044	$ 35,050	$ 35,033	$573,535
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 5	$ -	$ 40	$ 85	$ 891	$ 5,789
Due to other funds	-	-	2	-	3,212	5,634
Advances from other funds	-	468	160	534	-	9,445
Deferred revenue	-	-	481	129	11,923	70,153
Other liabilities	58	226	294	826	2,101	14,285
Total liabilities	63	694	977	1,574	18,127	105,306
Fund balances:						
Reserved for:						
Debt service	198	290	1,283	1,864	-	67,801
Low and moderate-income housing activities	422	1,510	4,670	8,119	-	123,566
Advances to other funds	-	468	160	534	537	11,240
Encumbrances	618	-	801	1,890	1,098	44,393
Unreserved, designated for continuing work programs	180	2,104	10,153	21,069	15,271	221,229
Total fund balances	1,418	4,372	17,067	33,476	16,906	468,229
Total liabilities and fund balances	$ 1,481	$ 5,066	$ 18,044	$ 35,050	$ 35,033	$573,535

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Redevelopment Project Area

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Adams Normandie	Adelante Eastside	Beacon Street	Broadway/ Manchester	Bunker Hill	Central Business District
Revenues:						
Incremental property taxes	$ -	$ 4,122	$ 986	$ 334	$ 30,316	$ -
Grants	-	120	-	-	7	154
Interest income	18	576	142	43	6,797	921
Loan repayments	-	-	-	-	2,337	440
Rental income	-	-	-	-	3,972	19
Developer participation	-	-	-	-	100	1,004
City participation	-	338	13	27	558	156
Other	-	1	2	-	456	3
Total revenues	18	5,157	1,143	404	44,543	2,697
Expenditures:						
Current:						
Program salaries and administrative costs, including technical and professional personnel	-	2,196	589	549	3,212	1,479
Real estate and other acquisition costs	-	4	-	23	-	2,176
Housing	-	120	2,495	-	4,165	-
Rehabilitation	-	32	-	-	-	2,263
Public improvement	-	628	100	-	247	32
Relocation	-	-	-	-	-	-
Development loans	-	-	-	-	3,040	-
Community service	-	1,000	3	-	1,329	30
Tax increment administrative fees	-	123	14	9	468	-
Other	-	278	81	214	2,390	573
Debt service:						
Principal	245	136	285	52	7,108	-
Interest expense	38	849	282	21	15,572	-
Payment to refunded bond escrow agent	-	-	-	-	1,722	-
Debt issuance costs	-	445	-	81	349	-
Total expenditures	283	5,811	3,849	949	39,602	6,553
Revenues over (under) expenditures	(265)	(654)	(2,706)	(545)	4,941	(3,856)
Other financing sources (uses):						
Issuance of long-term debt	-	10,040	1,495	1,500	-	-
Issuance of refunding bonds	-	-	-	-	11,345	-
Premium (discount) on issuance of debt	-	-	-	(8)	(8)	-
Payment to refunded bond escrow agent	-	-	-	-	(10,579)	-
Other financing sources	-	-	-	-	729	-
Transfers in	-	23,896	1,326	3,363	48,246	32
Transfers out	-	(25,396)	(875)	(3,189)	(50,678)	-
Total other financing sources (uses)	-	8,540	1,946	1,666	(945)	32
Net change in fund balances	(265)	7,886	(760)	1,121	3,996	(3,824)
Fund balances, beginning of year	636	10,969	2,984	686	86,793	15,450
Fund balances, end of year	$ 371	$ 18,855	$ 2,224	$ 1,807	$ 90,789	$ 11,626

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Redevelopment Project Area - (Continued)

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Central Industrial	Chinatown	City Center	Council District 9	Crenshaw	Crenshaw/ Slauson
Revenues:						
Incremental property taxes	$ -	$ 5,068	$ -	$ 8,489	$ 741	$ 861
Grants	-	1,200	100	2,674	622	1
Interest income	-	478	5	686	61	98
Loan repayments	-	14	-	-	-	-
Rental income	-	-	128	-	-	-
Developer participation	-	-	10	-	-	-
City participation	-	-	-	687	19	72
Other	-	357	43	3	1	-
Total revenues	-	7,117	286	12,539	1,444	1,032
Expenditures:						
Current:						
Program salaries and administrative costs, including technical and professional personnel	363	1,055	1,271	2,267	1,096	404
Real estate and other acquisition costs	-	1,202	205	4,554	39	544
Housing	-	295	-	2,356	2	750
Rehabilitation	-	370	4	46	-	20
Public improvement	-	-	117	1,240	121	-
Relocation	-	-	-	165	1,000	-
Development loans	-	-	-	2,137	-	-
Community service	-	15	112	-	-	-
Tax increment administrative fees	-	86	-	206	30	21
Other	23	602	170	1,130	143	165
Debt service:						
Principal	-	1,205	-	326	1,002	62
Interest expense	-	232	-	998	543	127
Payment to refunded bond escrow agent	-	-	-	-	-	-
Debt issuance costs	-	-	-	398	-	166
Total expenditures	386	5,062	1,879	15,823	3,976	2,259
Revenues over (under) expenditures	(386)	2,055	(1,593)	(3,284)	(2,532)	(1,227)
Other financing sources (uses):						
Issuance of long-term debt	-	-	-	12,500	-	3,000
Issuance of refunding bonds	-	-	-	-	-	-
Premium (discount) on issuance of debt	-	-	-	(40)	-	(17)
Payment to refunded bond escrow agent	-	-	-	-	-	-
Other financing sources	-	-	-	-	-	-
Transfers in	386	2,675	1,713	31,083	2,988	6,584
Transfers out	-	(2,675)	-	(31,518)	(548)	(6,708)
Total other financing sources (uses)	386	-	1,713	12,025	2,440	2,859
Net change in fund balances	-	2,055	120	8,741	(92)	1,632
Fund balances, beginning of year	-	9,486	85	14,523	1,323	2,184
Fund balances, end of year	$ -	$ 11,541	$ 205	$ 23,264	$ 1,231	$ 3,816

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

***Combined Schedule of Revenues, Expenditures, and Changes in* Fund Balances - By Redevelopment Project Area - (Continued)**

***For the Fiscal Year Ended June 30, 2007* (In Thousands)**

	East Hollywood/ Beverly-Normandic	Exposition/ University Park	Hollywood	Laurel Canyon	Little Tokyo	Los Angeles Harbor
Revenues:						
Incremental property taxes	$ 4,252	$ 3,283	$ 22,275	$ 1,703	$ 2,920	$ 1,595
Grants	57	624	1,501	-	59	-
Interest income	851	168	996	295	433	119
Loan repayments	4	34	120	5	28	-
Rental income	-	8	119	-	-	44
Developer participation	-	223	300	-	-	-
City participation	345	10	831	151	37	36
Other	-	-	1,529	-	30	-
Total revenues	5,509	4,350	27,671	2,154	3,507	1,794
Expenditures:						
Current:						
Program salaries and administrative costs, *including technical and professional personnel*	431	816	3,296	553	530	737
Real estate and other acquisition costs	-	-	11,058	1	-	2,368
Housing	-	-	960	-	-	-
Rehabilitation	1,260	-	548	-	220	-
Public improvement	7	17	90	-	-	-
Relocation	600	-	645	-	-	89
Development loans	-	624	-	-	-	-
Community service	-	-	149	-	81	17
Tax increment administrative fees	108	57	493	42	45	27
Other	171	304	2,951	208	163	75
Debt service:						
Principal	77	520	1,858	87	855	398
Interest expense	513	377	3,745	264	767	180
Payment to refunded bond escrow agent	-	417	-	-	-	-
Debt issuance costs	-	314	-	114	-	-
Total expenditures	3,167	3,446	25,793	1,269	2,661	3,891
Revenues over (under) expenditures	2,342	904	1,878	885	846	(2,097)
Other financing sources (uses):						
Issuance of long-term debt	-	-	-	2,000	-	-
Issuance of refunding bonds	-	5,905	-	-	-	-
Premium (discount) on issuance of debt	-	(24)	-	(12)	-	-
Payment to refunded bond escrow agent	-	(2,717)	-	-	-	-
Other financing sources	-	-	-	-	-	-
Transfers in	2,303	5,367	13,713	4,866	2,379	3,570
Transfers out	(2,303)	(5,367)	(13,713)	(5,029)	(2,379)	(1,021)
Total other financing sources (uses)	-	3,164	-	1,825	-	2,549
Net change in fund balances	2,342	4,068	1,878	2,710	846	452
Fund balances, beginning of year	15,737	3,003	23,382	5,599	9,992	2,435
Fund balances, end of year	$ 18,079	$ 7,071	$ 25,260	$ 8,309	$ 10,838	$ 2,887

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Redevelopment Project Area - (Continued)

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Mid-City Recovery	Monterey Hills	Normandie 5	North Hollywood	Pacific Corridor	Pacoima/ Panorama City
Revenues:						
Incremental property taxes	$ 2,843	$ 3,680	$ 3,047	$ 11,071	$ 2,399	$ 14,162
Grants	3,696	-	-	1,045	-	-
Interest income	187	435	308	862	354	1,872
Loan repayments	-	-	9	50	-	-
Rental income	-	-	-	80	-	-
Developer participation	-	-	-	-	-	-
City participation	230	36	70	-	194	1,143
Other	2	3	-	5	-	2
Total revenues	6,958	4,154	3,434	13,113	2,947	17,179
Expenditures:						
Current:						
Program salaries and administrative costs, *including technical and professional personnel*	848	337	513	2,423	1,009	1,446
Real estate and other acquisition costs	3,186	-	-	2	-	-
Housing	-	-	-	-	475	4,473
Rehabilitation	616	-	-	57	62	139
Public improvement	-	12	-	1,003	33	746
Relocation	-	-	-	-	-	-
Development loans	-	-	-	-	-	2,300
Community service	-	-	-	91	-	222
Tax increment administrative fees	67	56	69	220	54	320
Other	298	29	93	1,413	259	645
Debt service:						
Principal	158	930	590	1,085	-	171
Interest expense	602	695	388	1,591	222	870
Payment to refunded bond escrow agent	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-
Total expenditures	5,775	2,059	1,653	7,885	2,114	11,332
Revenues over (under) expenditures	1,183	2,095	1,781	5,228	833	5,847
Other financing sources (uses):						
Issuance of long-term debt	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-
Premium (discount) on issuance of debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Other financing sources	-	-	-	-	-	-
Transfers in	1,804	2,816	1,813	6,789	1,157	6,306
Transfers out	(1,704)	(2,816)	(1,810)	(7,829)	(1,157)	(6,236)
Total other financing sources (uses)	100	-	3	(1,040)	-	70
Net change in fund balances	1,283	2,095	1,784	4,188	833	5,917
Fund balances, beginning of year	4,604	7,295	5,839	18,479	6,572	35,415
Fund balances, end of year	$ 5,887	$ 9,390	$ 7,623	$ 22,667	$ 7,405	$ 41,332

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Redevelopment Project Area - (Continued)

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Pico Union 1	Pico Union 2	Reseda/ Canoga Park	Rodeo/ La Cienega	Vermont/ Manchester	Watts
Revenues:						
Incremental property taxes	$ 1,607	$ 2,776	$ 13,688	$ -	$ 563	$ 329
Grants	-	-	-	-	-	200
Interest income	225	656	1,712	20	62	465
Loan repayments	112	3	1	-	-	216
Rental income	13	-	2	-	9	180
Developer participation	-	-	-	-	75	-
City participation	12	90	1,109	-	46	8
Other	1	-	7	-	4	-
Total revenues	1,970	3,525	16,519	20	759	1,398
Expenditures:						
Current:						
Program salaries and administrative costs, including technical and professional personnel	558	515	2,905	-	643	863
Real estate and other acquisition costs	-	21	73	-	9	-
Housing	-	-	1,610	-	-	-
Rehabilitation	-	46	1,220	-	-	-
Public improvement	35	22	2,162	-	-	510
Relocation	-	-	32	-	-	-
Development loans	-	-	-	-	-	-
Community service	170	-	3,406	-	-	-
Tax increment administrative fees	25	46	320	-	13	6
Other	83	258	487	-	142	367
Debt service:						
Principal	425	340	333	-	40	-
Interest expense	289	342	1,383	-	118	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	68
Total expenditures	1,585	1,590	13,931	-	965	1,814
Revenues over (under) expenditures	385	1,935	2,588	20	(206)	(416)
Other financing sources (uses):						
Issuance of long-term debt	-	-	-	-	-	1,500
Issuance of refunding bonds	-	-	-	-	-	-
Premium (discount) on issuance of debt	-	-	-	-	-	(3)
Payment to refunded bond escrow agent	-	-	-	-	-	-
Other financing sources	-	-	-	-	-	-
Transfers in	1,153	1,496	6,773	-	493	3,160
Transfers out	(1,153)	(1,496)	(6,568)	-	(263)	(3,160)
Total other financing sources (uses)	-	-	205	-	230	1,497
Net change in fund balances	385	1,935	2,793	20	24	1,081
Fund balances, beginning of year	3,815	13,255	33,693	385	1,274	3,853
Fund balances, end of year	$ 4,200	$ 15,190	$ 36,486	$ 405	$ 1,298	$ 4,934

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Governmental Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Redevelopment Project Area - (Continued)

For the Fiscal Year Ended June 30, 2007
(In Thousands)

	Watts Corridors	Western/ Slauson	Westlake	Wilshire/ Koreatown	Other	Total
Revenues:						
Incremental property taxes	$ 500	$ 755	$ 4,397	$ 12,538	$ -	$ 161,300
Grants	2	127	2	-	7,799	19,990
Interest income	55	206	836	1,387	2,112	24,441
Loan repayments	-	-	-	-	655	4,028
Rental income	-	-	-	-	-	4,574
Developer participation	-	-	-	-	-	1,712
City participation	42	62	355	1,008	-	7,685
Other	-	-	-	-	737	3,186
Total revenues	599	1,150	5,590	14,933	11,303	226,916
Expenditures:						
Current:						
Program salaries and administrative costs, including technical and professional personnel	547	326	792	1,226	1,060	36,855
Real estate and other acquisition costs	15	-	18	1,920	11	27,429
Housing	-	-	1,587	1,234	7,013	27,535
Rehabilitation	-	-	-	-	-	6,903
Public improvement	105	-	82	1	126	7,436
Relocation	-	-	-	-	-	2,531
Development loans	-	-	700	-	-	8,801
Community service	-	-	52	-	-	6,677
Tax increment administrative fees	13	30	107	299	-	3,374
Other	61	21	304	421	503	15,025
Debt service:						
Principal	35	36	14	50	-	18,423
Interest expense	85	125	495	731	263	32,707
Payment to refunded bond escrow agent	-	-	-	-	-	2,139
Debt issuance costs	-	-	-	-	-	1,935
Total expenditures	861	538	4,151	5,882	8,976	197,770
Revenues over (under) expenditures	(262)	612	1,439	9,051	2,327	29,146
Other financing sources (uses):						
Issuance of long-term debt	-	-	-	-	-	32,035
Issuance of refunding bonds	-	-	-	-	-	17,250
Premium (discount) on issuance of debt	-	-	-	-	-	(112)
Payment to refunded bond escrow agent	-	-	-	-	-	(13,296)
Other financing sources	-	-	-	-	-	729
Transfers in	906	491	2,266	5,252	728	197,893
Transfers out	(264)	(491)	(2,266)	(5,252)	(4,029)	(197,893)
Total other financing sources (uses)	642	-	-	-	(3,301)	36,606
Net change in fund balances	380	612	1,439	9,051	(974)	65,752
Fund balances, beginning of year	1,038	3,760	15,628	24,425	17,880	402,477
Fund balances, end of year	$ 1,418	$ 4,372	$ 17,067	$ 33,476	$ 16,906	$ 468,229

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Schedule of Third-Party Indebtedness

June 30, 2007
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Demand Certificates of Participation Baldwin Hills Public Parking Facilities Project	12/15/1984	12/1/2014	Variable	$ 30,000	$ 30,000
Multifamily Housing Development Revenue Bonds Lanewood Apartments Project	12/1/1985	12/1/2008	Variable	8,000	8,000
Demand Certificates of Participation Broadway-Spring Center Project	7/15/1987	7/1/2012	Variable	14,700	6,400
Multifamily Housing Revenue Bonds, 1989 Series A Academy Village Apartments Project	10/26/1989	10/1/2019	Variable	23,000	20,000
Housing Revenue Refunding Bonds 1994 Series A, Citywide	6/7/1994	1/1/2027	4.85%-6.55%	20,600	550
Housing Revenue Refunding Bonds 1994 Series C, Citywide	9/14/1994	7/1/2014	5.65%-6.75%	8,000	205
Multifamily Housing Revenue Refunding Bonds 1995 Series A, Angelus Plaza Project	11/1/1995	6/15/2010	7.40%	33,020	12,420
Multifamily Housing Revenue Refunding Bonds 1996 Series A, Angelus Plaza Project	1/3/1996	7/1/2023	6.40%	15,470	12,080
Multifamily Housing Revenue Note, 1999 Series A Western/Slauson Amistad Plaza (note size increased by $500,000 in May 2002)	6/1/1999	1/1/2031	Variable/fixed	4,989	1,704
Multifamily Housing Revenue Note, 1999 Series A Grandview Nine Family Housing	6/1/1999	1/1/2031	Variable/fixed	4,711	2,061
Multifamily Housing Revenue Refunding Bonds, Series 2000, Promenade Towers Project	4/1/2000	4/1/2030	Variable/fixed	47,550	47,550
Multifamily Housing Revenue Bonds, Series 2001A Security Building Project (tax-exempt)	8/13/2001 (remarketed on 6/25/2002)	12/15/2034	Variable	13,500	13,500
Multifamily Housing Revenue Refunding Bonds Series 2002, Grand Promenade Project (Freddie Mac credit enhanced)	4/17/2002	4/1/2032	Variable	43,000	43,000

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Schedule of Third-Party Indebtedness - (Continued)

June 30, 2007
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding	
Qualified Redevelopment Bonds, 2002 Refunding Series A - Grand Central Square	4/15/2002	12/1/2026	2.50%-5.375%	20,825	19,005	1/
Multifamily Housing Revenue Bonds, Series 2002 Pico Union Scattered-Site Preservation Apartments	12/20/2002 (remarketed on 2/27/2004)	1/20/2045	4.75%-5.10%	16,895	16,895	
Multifamily Housing Revenue Bonds, 2003 Series A Views at 270	11/21/2003	9/1/2019	Variable	8,007	1,686	
Multifamily Housing Revenue Bonds, Series 2003A Second and Central Apartments Project	12/12/2003	12/1/2038	Variable	26,665	26,665	
Multifamily Housing Revenue Bonds, Series 2003B Second and Central Apartments Project	12/12/2003	12/1/2038	Variable	955	955	
Multifamily Housing Revenue Bonds, Series 2003A Wilshire Station Apartments	11/1/2003	10/15/2038	1.15%	75,175	75,175	
Multifamily Housing Revenue Bonds, Series 2003B Wilshire Station Apartments	11/1/2003	10/15/2038	1.30%	9,825	9,825	
Multifamily Housing Revenue Bonds, Series 2002-T Pico Union Scattered-Site Preservation Apartments	2/26/2004	7/20/2019	5.39%	3,000	2,700	
Multifamily Housing Revenue Bonds, Series 2004A Wilshire Station Apartments	10/28/2004	10/15/2038	Variable	10,000	10,000	
Multifamily Housing Revenue Bonds Metropolitan Apartments	8/1/2005	12/15/2024	Variable	28,400	28,400	
Multifamily Housing Revenue Bonds, 2005 Series A Villa del Sol Apartments	12/1/2005	5/1/2047	5.50%	8,782	8,782	
Lease Revenue Bonds, Series 2005 Vermont Manchester Social Services Project	7/28/2005	9/1/2037	5.00%	98,920	98,920	
Multifamily Housing Revenue Bonds, 2006 Series A The Alexandria	8/4/2006	8/15/2039	5.50%	35,000	35,000	

Continued...

See accompanying independent auditor's report.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Schedule of Third-Party Indebtedness - (Continued)

June 30, 2007
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding	
Multifamily Housing Revenue Bonds						
Osborne Gardens Apartments						
2006 Series A-1	10/5/2006	4/1/2038	Variable	1,050	166	2/
2006 Series A-2	10/5/2006	4/1/2008	Variable	8,150	-	2/
Variable Rate Demand Multifamily Housing Revenue						
Bonds 2006 Series A						
Security Building Project	12/7/2006	6/15/2035	Variable	5,000	5,000	
Multifamily Housing Revenue Bonds Series 2006A						
Wilshire Station Apartments	12/22/2006	10/15/2038	Variable	27,000	27,000	
Taxable Multifamily Housing Rev Bonds Series 2006B						
Wilshire Station Apartments	12/22/2006	10/15/2038	Variable	9,500	9,000	
Multifamily Housing Revenue Bonds						
Central Avenue Villa Apartments						
2007 Series A-1	4/30/2007	4/1/2010	Variable	494	494	
2007 Series A-2	4/30/2007	4/1/2039	Variable	1,906	1,906	
Variable Rate Demand Multifamily Housing						
Revenue Bonds 2007 Series A						
Hollywood & Vine Apartments	5/3/2007	4/15/2042	Variable	180,000	180,000	
Multifamily Housing Revenue Refunding						
Refunding Bonds 2007 Series B						3/
Grand Central Square	6/21/2007	12/1/2026	4.00-5.00%	8,615	8,615	
Total third-party indebtedness				$ 850,704	$ 763,659	

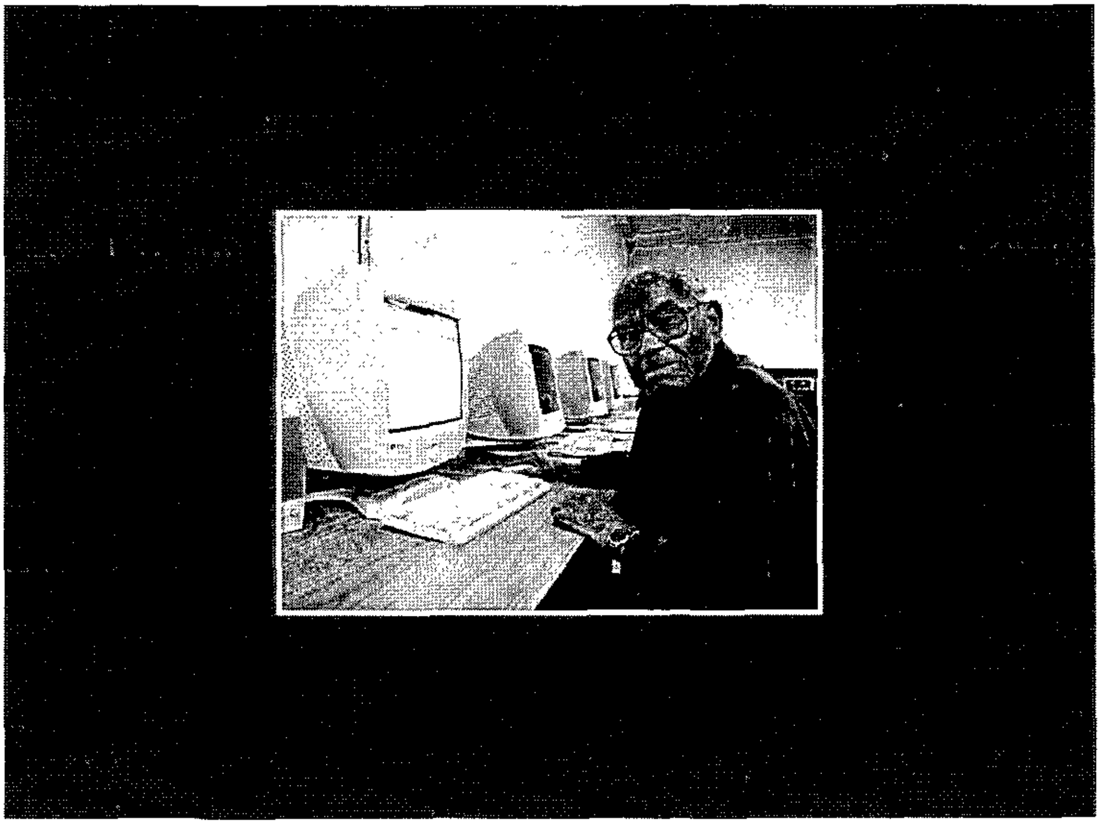
1/ Bonds are 100% secured by Proposition A sales tax revenues received by the MTA.

2/ Bonds are "draw down" bonds - i.e., they operate like a regular construction loan and start with a zero balance that grows to the full amount as funds are advanced.

3/ This represents 43.16% of the $19,960,000 Grand Central Square Multifamily Housing Revenue Refunding Bonds, 2007 Series A and Series B issued by the Agency and secured by Proposition A sales tax revenues received by the MTA (Pledge Agreement dated June 1, 2007).

See accompanying independent auditor's report.

COMPLIANCE SECTION



Angelus Plaza is the largest affordable housing community for older adults in the United States. Through its Senior Activity Center, a variety of programs and services are offered to the ethnically diverse community of 1,300 adults, who have an average age of 82.

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Laura N. Chick
Controller of the City of Los Angeles and
The Community Redevelopment Agency of
The City of Los Angeles, California

The Board of Commissioners of
The Community Redevelopment Agency of
The City of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles, California (Agency) for the year ended June 30, 2007 and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

We performed the procedures contained in the publication entitled *Guidelines for Compliance Audits of California Redevelopment Agencies* as promulgated by the controller of the State of California in connection with a review of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency, as required by Section 33080.1 of the Health and Safety Code of the State of California. The procedures we performed would not necessarily disclose all instances of non-compliance because they were based on selective tests of accounting records and related data.

During the performance of the aforementioned procedures, nothing came to our attention that would lead us to believe that the Agency did not comply with applicable laws, regulations and administrative requirements governing its activities.

This report is intended solely for the information and use of the Board of Commissioners, management, Controller of the City of Los Angeles and for filings with appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

Los Angeles, California
December 10, 2007

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of DTC and the procedures and record keeping with respect to beneficial ownership interests in the 2008 Bonds, payment of principal, interest and other payments on the 2008 Bonds to Direct Participants, Indirect Participants of Beneficial Owners (as hereinafter defined), confirmation and transfer of beneficial ownership interest in such 2008 Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and Beneficial Owners is based solely on information provided by DTC, and the Agency assumes no responsibility therefore. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect 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 Direct Participants or Indirect Participants, as the case may be.

THE AGENCY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE (INCLUDING ANY NOTICE OF REDEMPTION) THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE; (iii) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST DUE ON THE 2008 BONDS; (iv) THE SELECTION BY DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY PERSON TO RECEIVE A PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2008 BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DIRECT PARTICIPANTS, AS ASSIGNEES OF DTC AS BONDOWNER. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS ARE ON FILE WITH DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2008 Bonds (the "2008 Bonds"). The 2008 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 each maturity of the 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC

is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 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 2008 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 2008 Bonds, except in the event that use of the book-entry system for the 2008 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2008 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 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 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 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2008 Bonds may wish to ascertain that the nominee holding the 2008 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2008 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 any other DTC nominee) will consent or vote with respect to 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency, as the issuer of the 2008 Bonds, 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Paying 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, the Paying Agent, or the Agency, 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 the Agency or the Paying 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 depository with respect to the 2008 Bonds at any time by giving reasonable notice to the Agency or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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 the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT
Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) and Series C (Tax Exempt)

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is entered into as of June __, 2008 by and among THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA (the "CRA/LA") and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America with a principal corporate trust office in Los Angeles, California, as trustee under the below described Indenture and the initially appointed Dissemination Agent hereunder (the "Trustee" and "Dissemination Agent"). The CRA/LA, the Dissemination Agent and the Trustee hereby covenant and agree as follows:

Section 1. Definitions. Capitalized terms used herein shall have the meanings set forth below unless the context clearly requires otherwise.

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

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Bonds*" shall mean the $22,580,000 aggregate original principal amount of Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) and mean the $11,050,000 aggregate original principal amount of Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series C (Tax Exempt) issued by the CRA/LA under the Indenture.

"*Central Post Office*" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement.

"*Disclosure Agreement*" means this Continuing Disclosure Agreement dated as of June _, 2008 by and among the CRA/LA, the Trustee and the Dissemination Agent.

"*Disclosure Representative*" shall mean the Chief Financial Officer of the CRA/LA or his or her designee, or such other officer or employee as the CRA/LA shall designate in writing and which has filed with the Dissemination Agent a written acceptance of such designation.

"*Dissemination Agent*" shall initially mean The Bank of New York Trust Company, N.A., acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the CRA/LA and which has filed with the Trustee a written acceptance of such designation.

"*Indenture*" shall mean the Indenture dated as of June 1, 2006 by and between the CRA/LA and The Bank of New York Trust Company, N.A. as Trustee (the "Trustee") as supplemented by the First Supplemental Indenture and Second Supplemental Indenture each dated as of June 1, 2008 by and between the CRA/LA and the Trustee.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement as a Listed Events.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule and of which the CRA/LA notifies the Dissemination Agent in writing thereof. The National Repositories currently approved by the Securities and Exchange Commission are set forth in the SEC web site located at http://www/sec.gov/info/municipal/nrmsir.htm.

"*Official Statement*" shall mean the Official Statement dated June 12, 2008 prepared by the CRA/LA describing the Bonds.

"*Owners*" shall mean the person or persons listed in the bond registry books of the Trustee acting as the Registrar under the Indenture as the owners of the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Repository*" shall mean each National Repository and each State Repository. For purposes of this Disclosure Agreement, the parties may treat a filing with Central Post Office as meeting the requirements of a filing with the Repositories.

"*Rule*" shall mean Rule 15c2-12 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*" shall mean the State of California.

"*State Repository*" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission of the United States. As of the date of this Disclosure Agreement, there is no State Repository.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the CRA/LA, the Dissemination Agent and the Trustee for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) The CRA/LA shall, or shall by written direction to the Dissemination Agent cause the Dissemination Agent to, not later than eight months after the end of the CRA/LA's fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2008, provide to each Repository an Annual Report which is consistent with the requirements of

Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the CRA/LA 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 they are not available by that date. If the CRA/LA's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) of this Disclosure Agreement.

(b) Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the CRA/LA shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) in a format suitable for reporting. The CRA/LA shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the CRA/LA hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the CRA/LA and shall have no duty or obligation to review such Annual Report. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the CRA/LA to determine if the CRA/LA is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent requests, and the CRA/LA fails to certify in writing that an Annual Report has been provided to Repositories by no later than eight months after the end of the CRA/LA's fiscal year, the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent the CRA/LA has provided an Annual Report to the Dissemination Agent, file a report with the CRA/LA and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The CRA/LA's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the CRA/LA for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the CRA/LA's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, 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.

2. The following information contained in the final Official Statement shall be revised to reflect the prior fiscal year's actual results: (a) under the caption "THE WILSHIRE CENTER/KOREATOWN RECOVERY REDEVELOPMENT PROJECT AREA," the information relating to debt service coverage for the most current fiscal year, information

relating to Assessed Valuation and information relating to assessment appeals, and (b) in Appendix A, the table entitled "ESTIMATE OF TAX INCREMENT REVENUES."

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 CRA/LA 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 CRA/LA shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions hereof, the CRA/LA shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material (each of which is a "Listed Event"):

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; and

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative of the CRA/LA, inform such person of the event, and request that the CRA/LA promptly notify the Dissemination Agent in writing whether or not to report the event. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by a responsible officer at the corporate trust office of the Trustee with regular responsibility for providing Trustee services for the Bonds.

(c) Whenever the CRA/LA obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee or otherwise, the CRA/LA shall, within five (5)

Business Days, determine if such event would be material under applicable federal securities laws.

(d) If the CRA/LA has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the CRA/LA shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If in response to a request from the Trustee, the CRA/LA determines that the Listed Event would not be material under applicable federal securities laws, the Authority shall so notify the Dissemination Agent (and the Trustee if the Trustee is not the Dissemination Agent) in writing and instruct the Dissemination Agent not to report the occurrence.

(e) If the Dissemination Agent has been instructed by the CRA/LA to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in clauses (4) and (5) need not be given any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

(f) The Dissemination Agent may conclusively rely upon the determination of the CRA/LA as to the materiality of an event (including a Listed Event).

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

Section 7. Dissemination Agent. The CRA/LA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the CRA/LA pursuant to the Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the CRA/LA and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Authority or the CRA/LA. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the CRA/LA in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, the CRA/LA and the Trustee may amend the Disclosure Agreement provided, neither the Trustee or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions relating to the filing of an Annual Report or the giving of notice of a Listed Event as set forth in Sections 3(a), 4 or 5(a) hereof, 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the CRA/LA shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the CRA/LA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in the Disclosure Agreement shall be deemed to prevent the Authority or the CRA/LA from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the CRA/LA 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 the Disclosure Agreement, the CRA/LA shall not have an obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the CRA/LA, the Dissemination Agent or the Trustee to comply with any provision of the Disclosure Agreement, any Owner or Beneficial Owner of the Bonds or any Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the CRA/LA or the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement, and the sole remedy under the Disclosure Agreement in the event of any failure of the CRA/LA, of the Dissemination Agent or the Trustee to comply with the Disclosure Agreement shall be an action to compel performance. Such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement. The CRA/LA agrees to indemnify and save the Dissemination Agent and the Trustee, 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, as applicable, to the Dissemination Agent's or Trustee's negligence or willful misconduct. The obligations of the CRA/LA under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Compensation. The Dissemination Agent and the Trustee shall be paid compensation by the CRA/LA for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees, costs, and advances incurred by the Dissemination Agent hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity to the CRA/LA, the Bondholders or any other party.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the CRA/LA:

> The Community Redevelopment Agency of the City of Los Angeles, California
> 354 South Spring Street, Suite 800
> Los Angeles, California 90013
> Attention: Raymond Fors, Finance Director
> Telephone: (213) 977-1889
> FAX: (213) 617-0966

To the Trustee and Dissemination Agent:

> The Bank of New York Trust Company
> 700 South Flower Street
> Los Angeles, California 90017
> Attention: Corporate Trust Department
> Telephone: (213) 630-6248
> FAX: (213) 630-6210

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices of communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the CRA/LA, the Dissemination Agent, the Trustee, the Underwriter and the Owners and

Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing or execution of any paper or further act.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

By:______________________________
Authorized Officer

Approved as to Form:
Rockard J. Delgadillo, City Attorney

By:______________________________
Assistant City Attorney

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By:______________________________
Authorized Officer

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Dissemination Agent

By:______________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	The Community Redevelopment Agency of the City of Los Angeles, California (the "CRA/LA")
Name of Bond Issues:	The Community Redevelopment Agency of the City of Los Angeles, California Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series B (Taxable) and Wilshire Center/Koreatown Recovery Redevelopment Project Tax Allocation Bonds, Series C (Tax Exempt)
Date of Issuance:	June ___, 2008

NOTICE IS HEREBY GIVEN that the CRA/LA has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated June ___, 2008, among the CRA/LA, The Bank of New York Trust Company, N.A., as Trustee and The Bank of New York Trust Company, N.A., as the Dissemination Agent.

Dated: ________________

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Dissemination Agent

By:______________________________________

APPENDIX G

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

BERKSHIRE HATHAWAY ASSURANCE CORPORATION
NEW YORK, NEW YORK

FINANCIAL GUARANTY INSURANCE POLICY

INSURANCE POLICY TERMS AND CONDITIONS (Primary)

Berkshire Hathaway Assurance Corporation ("BHAC"), a New York corporation, in consideration of the payment of the Premium and subject to the terms and conditions of this Policy (which includes any endorsement hereto), hereby agrees unconditionally and irrevocably to pay U.S. Bank National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of the Holders of the Obligations (as set forth in the Bond Ordinance, bond resolution and other applicable authorizing documents providing for the issuance of and securing the Obligations), that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BHAC will pay an amount equal to such Insured Payments to the Fiscal Agent on the later to occur of (i) the Business Day following the day on which BHAC shall have Received a completed Notice of Nonpayment, or (ii) the date applicable principal or interest becomes Due for Payment. If a Notice of Nonpayment to BHAC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and BHAC shall promptly give notice to the Fiscal Agent that the purported Notice of Nonpayment is not deemed Received. Upon receipt of such notice, the Fiscal Agent may submit an amended Notice of Nonpayment. The Fiscal Agent will disburse the amounts paid to it by BHAC in respect of such Insured Payments to the Holders only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including, without limitation, any appropriate instruments of assignment, that all of the Holder's rights to payment of such Insured Payments shall thereupon vest in BHAC. Upon such disbursement, BHAC shall become the owner of the Obligation, appurtenant coupon (if any) or right to payment of such Insured Payments and any interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including the Holder's right to payment thereof. Payment by BHAC to the Fiscal Agent for the benefit of the Holders shall discharge the obligation of BHAC under this Policy to the extent of such payment.

This Policy is non-cancelable by BHAC for any reason. The Premium on this Policy is not refundable for any reason, including the payment prior to maturity of the Obligations. This Policy does not insure against any acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of BHAC, nor does this Policy insure against any risk other than Nonpayment.

Except to the extent expressly modified by the Declarations to this Policy or any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy.

"Avoided Payment" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to any applicable bankruptcy law in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) any day on which the offices of the Fiscal Agent are authorized or required by law, executive order or governmental decree to be closed.

"Due for Payment" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BHAC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest.

"Holder" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations.

"Insured Payments" means the principal of and interest on the Obligations that shall become Due for Payment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Issuer to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Issuer by reason of such failure.

"Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment.

"Notice" means telephonic or telegraphic notice subsequently confirmed in writing, or written notice given by overnight or other delivery service, or by certified or registered United States mail, from a Holder or a paying agent for the Obligations to BHAC. Notices to BHAC may be mailed by certified mail or may be delivered by telecopier to facsimile number (203) 363 5221, attn: Bond Insurance Claims, or to such other address as shall be specified by BHAC to the Fiscal Agent in writing.

"Obligation" means the bonds stated in the Declarations.

"Receipt" or "Received" means actual receipt of Notice of or, if Notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of BHAC.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAWS. Payments under this Policy may not be accelerated except at the sole option of BHAC.

Premium is due not later than the Effective Date.

This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, BHAC has caused this Policy to be executed on its behalf by its duly authorized officer, and to become effective and binding upon BHAC by virtue of such signature.

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

By.______________________________
Name:___ Kara Raiguel______________
Title:___Vice-President______________

ATTEST:

By.______________________________
Name:_____Brian Snover______________
Title:______Vice-President___________