ATTACHMENT 2

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: "Aaa"
Standard & Poor's: "AAA"
(See "RATINGS" herein)

In the opinion of Orrick Herrington & Sutcliffe LLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2003A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003A Bonds. See "TAX MATTERS."

$34,810,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Central City Redevelopment Project Tax Allocation Bonds Series 2003A

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

This cover page contains certain information for reference only, it is not a summary of all of the provisions of the Series 2003A Bonds. Prospective investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The Redevelopment Agency of the City of Santa Barbara, Central City Redevelopment Project Series 2003A Bonds (the "Series 2003A Bonds") are being issued to finance redevelopment activities in the Central City Redevelopment Project Area (the "Project Area"), to refund all of the Agency's Outstanding Series 1993 Bonds (as defined herein), to pay the fees associated with a Reserve Surety Bond (as defined herein) to satisfy the Reserve Requirement (as defined herein), and to pay certain expenses of the transaction. The Series 2003A Bonds are being issued on a parity basis with the Agency's Outstanding Series 1995 Senior Bonds and Series 2001 Bonds, as more particularly described herein. The Outstanding Series 1995 Senior Bonds, the Series 2001 Bonds, and the Series 2003A Bonds are collectively referred to as the "Outstanding Parity Bonds." The Outstanding Parity Bonds and all bonds or other obligations issued on a parity therewith are sometimes referred to herein as the "Bonds." The Series 2003A Bonds are special obligations of the Agency and are equally and ratably secured by an irrevocable pledge of certain tax revenues derived from the Agency's Central City Redevelopment Project Area and other funds as provided in the Indenture, as amended and supplemented, pursuant to which the Outstanding Parity Bonds are issued (the "Indenture"), as further discussed herein. The Series 2003A Bonds are subject to redemption as more particularly described herein. See "SECURITY FOR THE SERIES 2003A BONDS" and "THE SERIES 2003A BONDS — Optional Redemption."

Interest with respect to the Series 2003A Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2004. The Series 2003A Bonds will be delivered in fully registered form only, and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2003A Bonds. See "APPENDIX H — BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Series 2003A Bonds may be purchased in book-entry form only in the denomination of $5,000 or any integral multiple thereof. The principal of, redemption price, if any, and interest on the Series 2003A Bonds are payable by the applicable Trustee. So long as Cede & Co. is the registered owner, principal of, redemption price, if any, and interest on the Series 2003A Bonds will be paid by the applicable Trustee to DTC, which will remit such principal, redemption price, if any, and interest to the Beneficial Owners (as hereinafter defined) of the applicable Series 2003A Bonds, respectively, as described herein.

The scheduled payment of principal of and interest on the Series 2003A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003A Bonds by Ambac Assurance Corporation.

Ambac

See "BOND INSURANCE FOR THE SERIES 2003A BONDS" and "APPENDIX G — SPECIMEN INSURANCE POLICY."

MATURITY SCHEDULE
(See inside cover page)

The Series 2003A Bonds are not a debt of the City of Santa Barbara, the State of California, or any of its political subdivisions and none of said City, said State, or any of its political subdivisions is liable for the Series 2003A Bonds, and in no event will the Series 2003A Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Series 2003A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Series 2003A Bonds are liable personally on the Series 2003A Bonds by reason of their issuance. See "SECURITY FOR THE SERIES 2003A BONDS" and "BONDOWNERS' RISKS."

The Series 2003A Bonds are offered when, as and if issued by the Agency and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Agency in connection with the Series 2003A Bonds by its general counsel, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is expected that the Series 2003A Bonds, in book-entry form, will be available for delivery in New York, New York on or about December 18, 2003.

MORGAN STANLEY

Dated: December 10, 2003

$34,810,000
REDEVELOPMENT AGENCY OF THE
CITY OF SANTA BARBARA
Central City Redevelopment Project
Tax Allocation Bonds
Series 2003A
MATURITY SCHEDULE

Maturity (March 1)	Principal Amount	Interest Rate	Yield
2004	$2,085,000	2.000%	1.030%
2005	2,085,000	2.000	1.250
2006	2,145,000	2.000	1.630
2007	2,205,000	2.000	1.980
2008	1,140,000	3.500	2.330
2009	1,860,000	3.000	2.650
2010	1,920,000	3.000	3.000
2011	1,975,000	5.000	3.320
2012	2,075,000	3.500	3.580
2013	2,140,000	5.000	3.770
2014	2,245,000	5.000	3.910
2015	2,360,000	5.000	4.030*
2016	2,470,000	4.000	4.160
2017	2,570,000	5.000	4.260*
2018	2,700,000	5.000	4.360*
2019	2,835,000	4.300	4.450

* Priced to par call on March 1, 2014.

Debt Service Requirements

The principal and interest requirements for the Series 1995 Senior Bonds, the Series 2001 Bonds, the Series 2003A Bonds, and the 1995 Subordinate Bonds are as follows:

Table 1

ANNUAL DEBT SERVICE REQUIREMENTS

Fiscal Year	Series 1995 Senior Bonds	Series 2001 Bonds	Series 2003A Bonds	Total Parity Debt Service(1)	1995 Subordinate Bonds	Total Debt Service(1)
2003-04	$3,168,788	$1,764,854	$2,351,963	$7,285,605	$772,700	$8,058,305
2004-05	2,389,800	1,764,854	3,359,830	7,514,484	720,500	8,234,984
2005-06	2,369,100	1,764,854	3,378,130	7,512,084	719,200	8,231,284
2006-07	2,353,000	1,764,854	3,395,230	7,513,084	720,800	8,233,884
2007-08	3,460,900	1,764,854	2,286,130	7,511,884	–	7,511,884
2008-09	–	4,549,854	2,966,230	7,516,084	–	7,516,084
2009-10	–	4,544,973	2,970,430	7,515,403	–	7,515,403
2010-11	–	4,545,554	2,967,830	7,513,384	–	7,513,384
2011-12	–	4,546,185	2,969,080	7,515,265	–	7,515,265
2012-13	–	4,551,165	2,961,455	7,512,620	–	7,512,620
2013-14	–	4,553,565	2,959,455	7,513,020	–	7,513,020
2014-15	–	4,550,785	2,962,205	7,512,990	–	7,512,990
2015-16	–	4,557,290	2,954,205	7,511,495	–	7,511,495
2016-17	–	4,556,810	2,955,405	7,512,215	–	7,512,215
2017-18	–	4,558,750	2,956,905	7,515,655	–	7,515,655
2018-19	–	4,557,000	2,956,905	7,513,905	–	7,513,905
TOTAL	$13,741,588	$58,896,199	$47,351,388	$119,989,175	$2,933,200	$122,922,375

(1) Amount listed for Fiscal Year 2003-04 does not include debt service paid in respect of the Series 1993 Bonds on September 1, 2003 in an amount equal to $226,511, which when included would increase the Total Parity Debt Service for Fiscal Year 2003-04 to $7,512,116.

SECURITY FOR THE SERIES 2003A BONDS

General

The Redevelopment Law provides security for the financing of redevelopment projects through 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. 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 only receive tax revenues from the allocation of taxes under the redevelopment plan.

other evidences of indebtedness, and expend their proceeds. The Agency itself does not have the power to levy taxes.

The Agency may also clear buildings or other improvements, develop as a building site any real property owned or acquired, and in connection with such development, may provide for the installation of streets, utilities, sidewalks, and other necessary public improvements. With the exception of payment for the construction of publicly owned structures and facilities benefiting a redevelopment project, the Agency itself cannot construct any buildings contemplated under the specific redevelopment plan but must convey property in a redevelopment project by sale or lease for private redevelopment in strict conformity with the redevelopment plan. The Agency may specify a period of time within which such development must begin.

Financial Statements

The Agency is a public entity separate and apart from the City. All accounting records of Agency operations are maintained by the City's Finance Department separately from the accounting records of the City.

Agency financial statements have been audited by independent certified public accountants since the Agency was established. The audited financial statements of the Agency for the fiscal year ended June 30, 2002 are included herein as APPENDIX A. The Agency anticipates that its Fiscal Year 2002-03 audited financial statements will be available on or before December 15, 2003 and such financial statements will be disclosed as part of the first Annual Report (See "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT").

The Agency has not requested nor did the Agency obtain permission from Brown, Armstrong, Randall, Reyes, Paulden & McCown Accountancy to include the audited financial statements as an appendix to this Official Statement. Accordingly, Brown, Armstrong, Randall, Reyes, Paulden & McCown Accountancy has not performed any post-audit review of the financial condition or operations of the Agency.

THE PROJECT

History

The Central City Redevelopment Project Area was established with the adoption of the Redevelopment Plan for the Project by Ordinance No. 3566 of the Santa Barbara City Council on November 14, 1972. The Redevelopment Plan was substantially amended by the City Council with the adoption of City Ordinance No. 3923 on August 30, 1977. Subsequent amendments occurred with the adoption of City Ordinance No. 4438 on December 16, 1986, by City Ordinance No. 4894 on December 6, 1994, by City Ordinance No. 5085 on November 11, 1998 and by City Ordinance No. 5089 on January 12, 1999. The Redevelopment Plan terminates on August 30, 2012 and is prohibited from receiving tax increment for the repayment of debt after August 30, 2022.

The City Council found that conditions within the Project Area prior to adoption of the Redevelopment Plan met the statutory conditions of blight, which must be found to exist as a prerequisite to initiation of redevelopment activities. These conditions included mixed and incompatible land uses, deteriorated housing, other non-conforming or under-utilized properties, and inadequate public facilities.

Description

The Central City Redevelopment Project Area includes approximately 850 acres in the downtown area of the City of Santa Barbara including the wharf and marina at the foot of lower State Street. The project is bounded by Victoria Street on the north, U.S. Highway 101 on the west, the Ocean front and Harbor on the south and Santa Barbara Street on the east in addition to that area between U.S. 101, the beach, Milpas Street and Santa Barbara Street.

The Agency has completed many of the redevelopment projects, programs and activities envisioned by the Redevelopment Plan. These activities, referred to as "project elements," include the development of low income and moderate income housing, the construction of a major retail shopping center in the heart of the Project Area, Lower State Street Revitalization Program, Transportation Management Program, the construction of a major public park in the City's waterfront, the acquisition and historic rehabilitation of the former Southern Pacific Railroad Depot now in use by Amtrak, downtown retail parking improvements, a Garden Street extension and improvement, public improvements related to commercial development, and public restroom improvements. Significant tax revenues have been generated by the completion of these project elements and overall the project activities have assisted with spin-off economic redevelopment of the entire Project Area.

All real property in the Project Area is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan itself is in accordance with standards incorporated in the City General Plan. The Redevelopment Plan requires that all new construction shall meet or exceed the standards set forth in the City's building, electrical, plumbing, mechanical and other applicable construction codes. The Redevelopment Plan further provides that no new improvements shall be constructed and that no existing improvements may be substantially modified, altered, repaired, or rehabilitated except in accordance with site plans submitted and approved by the City Planning Commission.

The Redevelopment Plan allows for commercial-office, residential, industrial and public uses within the Project Area but specifies the particular land use area in which each such use is permitted. The Agency may permit an existing but nonconforming use to remain so long as the existing building is in good condition and is generally compatible with other surrounding developments and uses.

The heights of buildings, architectural controls, and other developments and design controls necessary for proper development within the Project Area are established by the Redevelopment Plan and the City Charter and Municipal Code.

Development Projects

Proceeds from the sale of the 1984, 1985 and 1987 Bonds, together with other Agency funds were used to undertake and complete a majority of Agency projects and programs. The Agency has completed the Lower State Street Revitalization Project, which included the development of three public parking facilities involving 475 parking spaces. A total of six blocks on State Street were landscaped, sidewalks widened, tiled, and improved with planters, benches and fountains. Also, significant traffic improvements were made throughout the Project Area. The 1985 Bonds, together with a portion of the 1987 Bonds were used to assist in the completion of Paseo Nuevo, a 462,300 square foot shopping center with Broadway (now Macy's) and Nordstrom as anchor department store tenants and over 60 retail shops and restaurants. The Agency, together with the developer, constructed 1,650 public parking spaces to support the retail expansion efforts. The total invested by both the Agency and the development company, JMB Realty, is approximately $200 million. The shopping center has been open and operating since 1989.

In 1993, the Agency issued the Series 1993 Bonds, which were earmarked for the implementation of the Waterfront Park and Hotel Project. This project involves the development of a ten-acre public park together with a private development of an approved 150-room luxury hotel resort complex. Construction was completed on Chase Palm Park in 1997; plans for the hotel are currently under review. In addition, the Agency has completed the acquisition, restoration and improvement of the Santa Barbara Railroad Station Project. This project involved restoration of the City's historic Railroad Depot, site improvements including 220 public parking spaces, landscaping, lighting and passenger services improvements.

In 2001, the Agency issued the Series 2001 Bonds, which funded the completion of two phases of the State Street Sidewalk Improvement Project, the opportunity acquisition of over four acres located in the Waterfront of the Project Area, and most recently, the renovation of the historic Granada Theatre, which is currently underway. The Series 2001 Bonds are also currently funding the Lot 6 Parking Structure (Granada Garage), the Cultural Arts District Plan Property Development including a proposed Ensemble Theatre Development Project, the City/U.S. Army Corps of Engineers Mission Creek Flood Control Project Enhancements project and related property acquisitions. The recipient of the majority of the Series 2001 Bond funds was the 575-space Granada Garage, planned to replace an existing city surface parking lot. The Granada Garage will help meet a downtown parking space shortfall in the immediate vicinity of the parking structure. The Granada Garage design includes approximately 10,000 square feet of occupied floor space for transportation offices and parking structure ancillary uses and landscaped pedestrian facilities to help meet a critical need for city staff space to provide alternative transportation-related programs and services in the city of Santa Barbara.

Private commercial development in the Project Area is strong, with several new substantial projects either under construction, approved, or in the review process. These projects are indicative of the development climate in the Project Area. Land values are quite high in the Project Area, and vacant or under-utilized parcels are scarce and the subject of much attention regarding potential high quality development. Of particular note are the following:

- An approved 96-room business-class hotel under construction at 31 W. Carrillo Street in the downtown core with a construction value of over $17,000,000;

- An approved 150-room luxury resort hotel by Fess Parker, adjacent to the existing Fess Parker Doubletree Hotel in the Waterfront, not yet under construction. This hotel is part of the Chase Palm Park Redevelopment Project;

- Ritz-Carlton Club Santa Barbara, a 62-unit luxury timeshare project located on lower State Street near Cabrillo Boulevard, has received various approvals and is projected for construction in the Fall of 2004;

- A 40-unit Residential condominium project on Yanonali Street currently nearing completion;

- Recently completed Ralph's supermarket located at 100 West Carrillo street in the downtown core, with a permit value of $6,850,000;

- Recently completed Chapala Lofts, a mixed-use development at 328 Chapala Street consisting of 17 units of housing and 13,000 square feet of commercial/retail space with a permit value of $3,480,000;

- Recently completed $8,000,000 State Street Sidewalk Improvement Project. The project consisted of a 7-block renovation of the State Street sidewalks the primary thoroughfare in the downtown core. Concrete was replaced with brick pavers, landscaping was enhanced with sandstone features, and existing and new trees were used to frame the elaborate architecture of downtown buildings. Merchants and the public alike have seen a significant increase in foot traffic since the completion of each of the three phases;

- Restoration of the historic Granada Theater is currently underway. The private, non-profit $15,000,000 renovation will be assisted with a $3,000,000 secured loan from the Redevelopment Agency and is expected to be complete in the Fall of 2005 and be the anchor of the Cultural Arts District; and

- Recently completed Chapala Lofts (consisting of 17 units of housing and 13,000 square feet of commercial/retail space) and the proposed mixed use Chapala One project, which is located at 401 Chapala Street, and is proposed to include 10,000 square feet of commercial space, 6,000 square feet of office space, and 46 residential condominiums.

Proceeds of the Series 2003 A Bonds will be used to continue the redevelopment activities within the Project including one or more of the Granada Garage, the State Street Sidewalk Improvement Project (400-500 Blocks), Carrillo Street Sidewalk Improvements, 916 State Street Public Restroom Project, the West Downtown Improvement Program, the Carrillo Recreation Center Restoration, Waterfront property Development, Cabrillo/State Restroom Remodel, the Fire Station #1 Remodel, and the Cabrillo Boulevard Sidewalk Project. All of the listed projects have been determined by the City's Community Development Department to be categorically exempt from environmental review under the California Environmental Quality Act ("CEQA") except for the Granada Garage Project which was approved by the City in May 2001 on the basis of a full environmental impact report prepared and approved in accordance with CEQA.

The State Street Sidewalk Improvement Project (400-500 Blocks) is the final stage of a very successful four year project that involves replacing the existing concrete sidewalks with brick pavers, improving business visibility by arranging landscape elements to frame building facades and storefronts, thereby recognizing and enhancing significant architectural elements, and improving the overall pedestrian experience by providing better pedestrian circulation and pedestrian amenities. The Carrillo Street Sidewalk Improvements would replace the degraded sidewalks with brick pavers in a two-block section of this highly visible and heavily used downtown corridor. The brick pavers would carry the successful theme of the State Street project out to this important thoroughfare.

The 916 State Street Restroom project would give the Agency the opportunity to provide a very important public amenity in the Downtown core. The West Downtown Neighborhood Program will allow the Agency the opportunity to upgrade the pedestrian amenities in a key Project Area residential neighborhood by implementing a series of capital programs, fostering a pedestrian connection to the downtown core. The two most prominent capital programs are the Anapamu Street and Ortega Street corridor improvements. These projects would repair and replace sidewalks, improve street landscaping, and provide for better pedestrian lighting in an effort to create safe, pedestrian friendly corridors that would link the West Downtown and the Westside to the Downtown core of the Project Area.

The Carrillo Recreation Center Renovation would completely restore this city landmark building in the heart of downtown. The heavily used recreation center would receive a complete interior remodel consisting of upgraded electrical and plumbing systems, and refurbishment of the auditorium and various activity rooms in an effort to provide the citizens of the Project Area and City a positive recreational experience in a historic building. The Waterfront Property Development would provide funding for possible future development at this Redevelopment Agency-owned property that was purchased using a portion of the Agency's Series 2001 bonds.

The Cabrillo/State Restroom Remodel will provide a strongly needed renovation of a prime waterfront restroom facility. The restroom is located at the foot of historic Stearn's Wharf and is heavily used by locals and tourists. Renovation work will include new plumbing fixtures, new tile, a new electrical system, a new red tile roof, and other general interior and exterior aesthetic improvements. The Fire Station #1 Remodel would provide a complete interior renovation of a public facility which provides emergency services to the Project Area. Activities will include renovating and separating the dormitory facilities and bathrooms, upgrading lighting, doors, windows, security system and the overall energy efficiency of the building which is located in the center of the Project Area. The Cabrillo Boulevard Sidewalk Project will replace the existing sidewalk on this City Scenic Highway from historic Stearn's Wharf to Milpas Street. The site of constant activity, including weekly local art shows, Cabrillo Boulevard is an integral part of the city's beachfront experience. The new sidewalks will include landscaping enhancements and pedestrian amenities such as wood benches and trash cans.

property in the Project Area unless such disposition is permitted as provided as follows: If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition, with the consent of AMBAC Indemnity, which shall not be unreasonably withheld. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

Maintenance of Tax Revenues. The Agency must comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and appropriate officials of the State. The Agency shall not enter into any agreement with the County or any other governmental unit, which would have the effect of reducing the amount of Tax Revenues. Nothing in the Indenture is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its terms meets the requirements of the Agency for the issuance of Subordinate Debt.

No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code and applicable Tax Regulations.

Private Business Use Limitation. The Agency must assure that:

(a) not in excess of ten percent of the Proceeds of the Bonds is used for Private Business Use if, in addition, the payment of the principal of, or the interest on, more than ten percent of the Proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly, (1) secured by any interest in property, or payments in respect of property, used or to be used for a Private Business Use, or (2) to be derived from payments (whether or not to the Agency) in respect of property, or borrowed money, used or to be used for a Private Business Use; and

(b) in the event that in excess of five percent of the Proceeds of the Bonds is used for a Private Business Use, and, in addition, the payment of the principal of, or the interest on, more than five percent of the Proceeds of the Bonds is, (under the terms of the Bonds or any underlying arrangement) directly or indirectly, secured by any interest in property, or payments in respect of property, used or to be used for said Private Business Use or is to be derived from payments (whether or not to the Agency) in respect of property, or borrowed money, used or to be used for a Private Business Use, then, (1) said excess over said five percent of the Proceeds of the Bonds which is used for a Private Business Use shall be used for a Private Business Use related to a government use of such Proceeds and (2) each such Private Business Use over five percent of the Proceeds of the Bonds which is related to a government use of such Proceeds shall not exceed the amount of such Proceeds which is used for the government use of Proceeds to which such Private Business Use is related.

Private Loan Limitation. The Agency must assure that not in excess of the lesser of five percent of the Proceeds of the Bonds or $5,000,000 is to be used, directly or indirectly, to make or finance loans (other than loans constituting Nonpurpose Investments and other than loans which enable the borrower to finance any governmental tax or assessment of general application for a specific essential governmental function) to persons other than state or local government units.

Compliance with the Tax Code. The Agency covenants in the Indenture to take any and all action and to refrain from taking such action which is necessary in order to comply with the Tax Code or amendments thereto in order to maintain the exclusion from federal gross income, pursuant to Section 103 of the Tax Code, of the interest on the Bonds paid by the Agency and received by the Owners of the Bonds.

Federal Guarantee Prohibition. The Agency may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code and applicable Tax Regulations.

Compliance with Rebate Requirements. The Agency must assure compliance with the requirements for rebate of excess investment earnings to the federal government in accordance with Section 148(f) of the Tax Code and applicable Tax Regulations.

Compliance with the Law; Low and Moderate Income Housing Fund.

(a) The Agency must ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or Section 33679 of the Law.

(b) The Agency further covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund all amounts when, as and if required to be deposited therein pursuant to the Law and shall expend amounts deposited in the Low and Moderate Income Housing Fund, including, without limitation, proceeds of any Parity Debt deposited therein, solely in accordance with Section 333342 of the Law.

(c) The Agency further covenants that if, for any reason, it deposits less than all amounts required to be deposited in the Low and Moderate Income Housing Fund when, as and if required to be deposited therein pursuant to the Law, it shall comply with the provisions of Section 33334.6(g) of the Law.

Management and Operations 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 businesslike manner, and will keep such properties insured at all times in conformity with sound business practice.

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

Continuing Disclosure. The Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement (Series 2003A). Notwithstanding any other provision of the Indenture, failure of the Agency or the Trustee to comply with the Continuing Disclosure Agreement (Series 2003A) shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2003A Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee) or any Owner or Beneficial Owner (Series 2003A) may take such actions as may be necessary and appropriate, including seeking mandate or specific