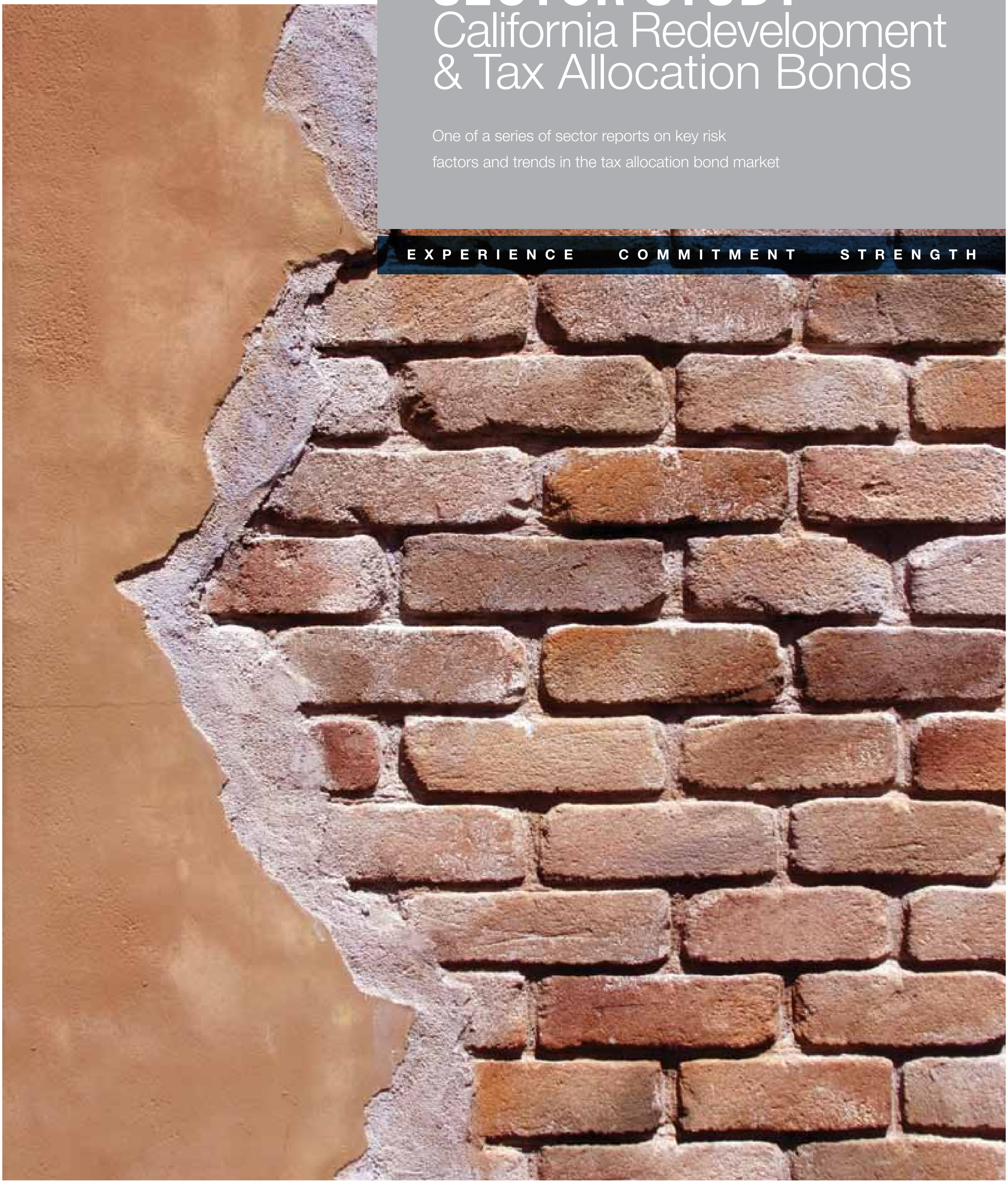
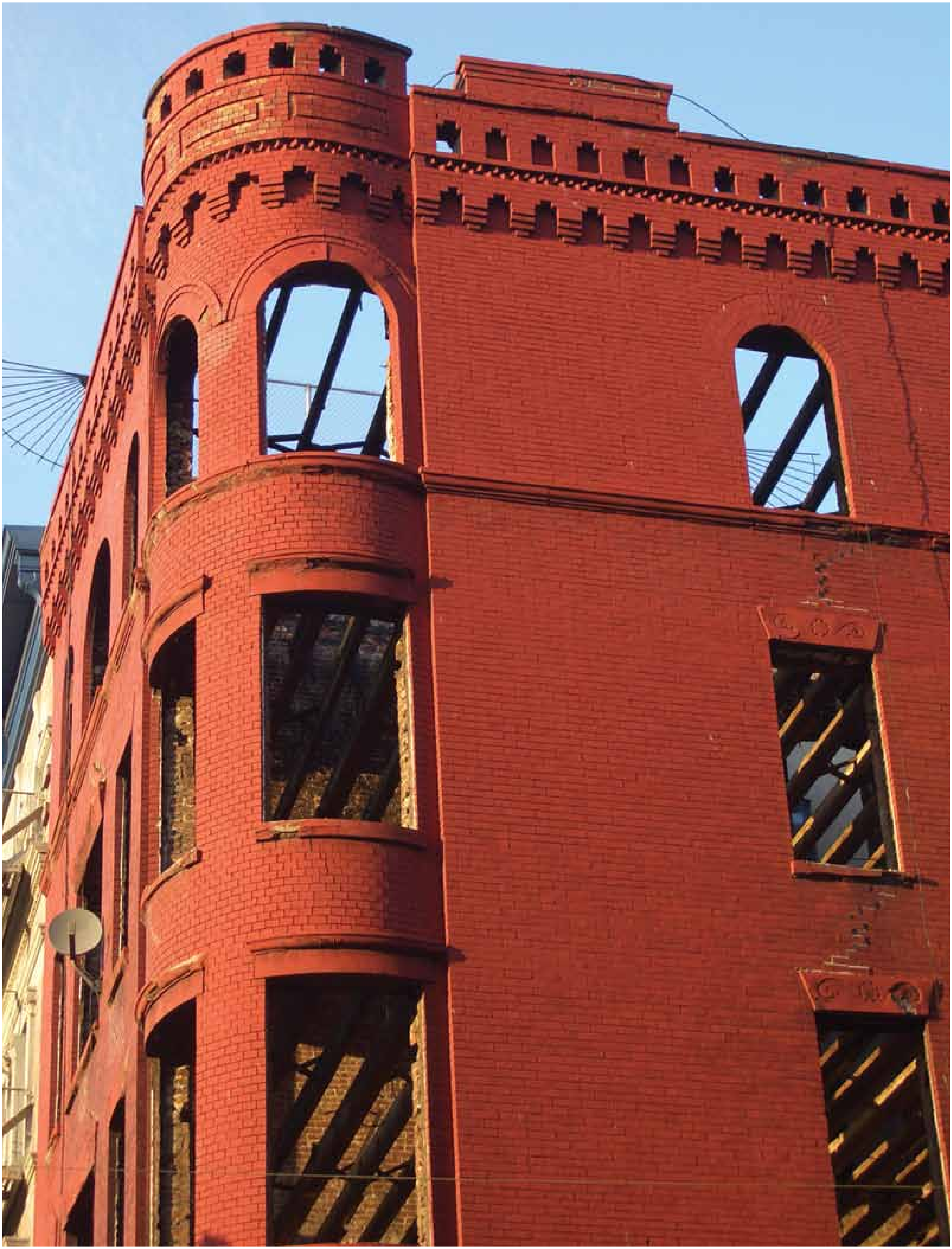
national public finance guarantee

SECTOR STUDY
California Redevelopment & Tax Allocation Bonds

One of a series of sector reports on key risk factors and trends in the tax allocation bond market



EXPERIENCE COMMITMENT STRENGTH



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CALIFORNIA REDEVELOPMENT & TAX ALLOCATION BONDS

In our continuing effort to provide topical, comprehensive public sector updates, National Public Finance Guarantee ("National") is pleased to present this analysis of the Redevelopment and Tax Allocation Bond ("TAB") sector in the State of California.

Our study begins with a brief background on California redevelopment, followed by an in-depth look at the analytical considerations for reviewing TABs. The report also highlights the current challenges facing redevelopment agencies. The study closes with a brief overview of the historical performance of National's TAB portfolio as well as summary credit reviews for the 14 largest TAB credits in the portfolio, which represent credits with at least $100 million in gross par exposure. A complete list of National's California TAB portfolio is included in Appendix C.

While not intended to provide specific recommendations, the report offers useful insights into the complexities of this sector. We hope this report provides additional perspective for you. You can find similar information for other sectors insured by National as well as a complete listing of our insured portfolio on our website, www.nationalpfg.com. We invite you to contact the individuals below for further discussion.

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BACKGROUND

California redevelopment agencies have been in existence since 1945, when the California Community Redevelopment Act made it possible for cities and counties to establish such agencies to combat the urban blight that hinders development and growth within a community. In 1951, the State Legislature amended the tax law and paved the way for tax increment financing. One year later, the California Community Redevelopment Law was enacted, which authorized the distribution of tax increment to agencies with the goal of relieving taxpayers of the costs of redevelopment by making projects self-supporting. However, it wasn't until the passage of Proposition 13 ("Prop 13") in 1978 that TABs became a major financing vehicle throughout the State. Also, starting in 1976, redevelopment agencies were required to set aside 20% of tax increment for affordable housing purposes, known as the "20% housing set-aside."

Prior to Prop 13, the average tax rate on a given property throughout the State was a little less than 3% of its market value. Moreover, there were no limitations on increases in the tax rate. All municipalities within a given county independently established their tax rates, and the total property tax rate was the aggregate of the individual rates. Also, it was not uncommon for properties to be reassessed at 50% to 100% above their prior year's value, and the property owners' tax bills increased accordingly.

Pursuant to Prop 13, the property tax rate was limited to 1% of a property's assessed value ("AV"). The resulting property tax revenue is divided up and allocated among the various municipalities within a county. In addition, a property's AV can only increase to reflect inflation but no more than 2% of the previous year's AV. This limitation does not apply to new construction or improved property, nor does it apply when a property is sold. Prop 13 dramatically changed California's property valuation and tax system. The Initiative also drastically reduced municipalities' property tax revenues.

Prop 13 requires municipalities to obtain voter approval for any increase in the property tax rate above 1% ("tax rate overrides"). The tax rate overrides are usually levied to support general obligation bonds, which are often issued to further support economic development. Since cities' and counties' financial flexibility was now more limited, they began turning to redevelopment agencies as a way to help finance economic development without increasing the tax burden. Supporters of redevelopment argue that the agencies help promote

CALIFORNIA REDEVELOPMENT AGENCIES

A redevelopment agency is a public entity of its respective local governing body. California's Redevelopment Law allows any county or city to establish a redevelopment agency through an action by its governing body. In most cases, the governing body also serves as the redevelopment agency's board. But the governing body and the agency are separate and distinct legal entities, and the agency carries out its day-to-day operations autonomously.

An agency's central goal is to help local governments eliminate blight from a specifically defined geographic area, known as a project area. They also assist in the development, reconstruction and rehabilitation of residential, retail, commercial and industrial areas. Agencies achieve these goals through a variety of means, including assembling land for development, leveraging tax increment by issuing TABs, investing in infrastructure to attract private enterprise to the project area, and creating affordable housing opportunities.

BLIGHT

The California Redevelopment Association defines Blighted Areas as areas that exhibit substantial and prevalent adverse physical and economic conditions requiring redevelopment assistance. Blight can take on a number of different meanings and can vary from community to community. For example, physical blight can include run-down, neglected buildings, properties that exhibit safety concerns and areas with high commercial and residential vacancy rates. Examples of economic blight can include areas with high crime rates, areas that lack private investment and suffer from low business activity.

growth in blighted areas, and the use of TABs to leverage tax increment helps accelerate projects by enabling a self-supporting system of economic development.

Redevelopment activities are financed with tax increment revenues, loans, grants and the issuance of TABs. It is important to understand how an agency generates tax increment. Redevelopment often starts with a feasibility study to determine the extent of blight within the proposed project area. Once the agency decides that a project or projects are to be undertaken, the project area is formed and its redevelopment plan is adopted. At this time, the county assessor will freeze property values in the project area, creating what is known as the Base Year Value ("BYV"). Tax revenue generated from the 1% tax rate on the BYV is allocated to and divided among the taxing entities whose boundaries overlap the project area. These entities continue to receive tax revenues from the 1% tax rate on the BYV as long as the project area is in existence. Any growth in property values in subsequent years above the BYV is considered Incremental Assessed Value ("IAV"). The same 1% tax rate is applied to the IAV to provide tax increment to the redevelopment agency.

Table 1 provides a simple example of how a redevelopment agency generates tax increment revenue. Assume a project area was formed in fiscal year 1994/95. At the time, the AV of all property in the area was $100 million, which is known as the BYV. The $1 million in property tax revenues generated from the 1% tax rate is allocated to the taxing entities whose boundaries overlap the project area (see Column A). In fiscal year 1995/96, the AV of all property in the project area increased to $105 million due to new construction, property sales and 2% growth as allowed under Prop 13. The $5 million in new value is the IAV. The 1% tax rate is applied to the entire $105 million. The overlapping taxing entities continue to receive their respective shares of the $1 million, and the $50 thousand (the tax increment) is allocated to the redevelopment agency (see Column B). In this example, by fiscal year 2007/08, the project area's total AV reached $250 million. The overlapping taxing entities continue to share in the $1 million of tax revenues generated by the $100 million BYV, and the agency receives $1.5 million in tax increment generated by the $150 million in IAV (see Column C).

TABLE 1

	(000)		
	A	**B**	**C**
Fiscal Year	**1994/95**	**1995/96**	**2007/08**
Total Assessed Value (AV)	$100,000	$105,000	$250,000
Less: Base Year Value (BYV)	(100,000)	(100,000)	(100,000)
Incremental Assessed Value (IAV)	-	5,000	150,000
Tax Rate	1.00%	1.00%	1.00%
Total Tax Revenue	1,000	1,050	2,500
Less Base Year Tax Revenue Allocated to Overlapping Taxing Entities	(1,000)	(1,000)	(1,000)
Gross Tax Increment Allocated to Redevelopment Agency	$ -	$50	$1,500

Security

Tax allocation bonds are secured by tax increment generated within a project area. Available tax increment is calculated net of a number of different obligations, including the 20% housing set-aside and county collection charges. Pass-through and statutory tax-sharing payments are also netted against available tax increment, to the extent they are not subordinated to debt service (See Pass-Through, Statutory Tax-Sharing & Other Obligations for more detail). Agencies also issue Housing TABs, which are secured by a project area's 20% housing set-aside.

Tax increment is a passive revenue stream for an agency, in that the agency has no ability to increase the tax rate.

* * *

ANALYTICAL CONSIDERATIONS FOR REVIEWING TABS

The following section provides a detailed review of the credit considerations pertinent to TABs. Each redevelopment agency is unique and does not necessarily fit perfectly into these categories. While there may be exceptions to these general guidelines, each is still considered in our analysis and should be considered by credit analysts and investors.

GROWTH FACTORS

While discussed in detail throughout this paper, it is worthwhile noting that when National underwrites TABs we do not assume any tax base growth. A conservative underwriting approach actually stresses the current tax base to ensure that an agency will be able to meet its debt service obligations under extreme stress scenarios. While Prop 13 provides for a stable valuation system, there is no guarantee that property values will increase in any given year.

LOCAL ECONOMY

The underlying economy of a project area's surrounding locality should be an important consideration for credit analysts and investors. Considerations include the local area's population trends, income levels, employment base and unemployment trends as well as construction activity. A project area located within a diverse employment base is less likely to be negatively impacted by one or two struggling industries than a project area located within a narrow-based economy.

From a historical perspective, outlying suburbs of large metropolitan areas have been the first and hardest-hit areas during periods of economic decline. While the general health and economic stability of the locality is not necessarily indicative of the strength of a particular project area, the two are not entirely independent of each other. In many instances, a site visit is advisable.

PROJECT AREA SIZE

Project areas vary in size, with some smaller than 50 acres and some larger than 20 thousand acres. Smaller areas pose unique credit issues.

First, a small area has less potential for additional development and corresponding growth in the tax base. While National assumes no additional growth to support debt service when underwriting TABs, the potential for further tax base growth is a positive characteristic. Generally speaking, a growing tax base will make for a stronger credit and provide additional support for TABs, absent any significant amount of additional debt.

Second, the smaller the area, the more likely it will have a concentrated tax base. In a highly concentrated project area, the loss of tax revenue from one or two of the largest property owners could have a considerable impact on an agency's ability to collect sufficient tax increment to cover debt service.

Finally, smaller project areas, to a certain extent, are more exposed to natural disaster risk, particularly earthquakes, floods and wildfires. Any one of these events could cause substantial property damage and result in a decline in AV. This risk is diminished in larger project areas. It is prudent to use outside consultants and software to analyze potential earthquake occurrences and damages in a project area over the term of a TAB.

LAND USES

The most common land uses are residential, commercial and industrial. Any area that is overly exposed to a particular land use is more likely to be negatively impacted during an economic downturn. A project area that is largely residential and has experienced considerable AV growth in a short period of time is likely to see many of these property values either appealed by their owners and/or rolled back by county assessors during a downturn in the residential real estate market. Similarly, any area that is overly exposed to commercial or industrial properties will be adversely affected during an overall economic slowdown. Commercial and industrial property owners are known for appealing their property values, even during prosperous economic times. A project area with a large amount of unsecured property (for example, R&D equipment or airplanes) is also a concern as this type of property is not subject to the limitations of Prop 13, and as a result, valuations tend to fluctuate considerably year over year.

Those areas in National's portfolio that are largely commercial or industrial in nature are relatively to moderately diverse, located in strong metropolitan areas, mature and have weathered previous economic downturns/recessions. For these areas, closer attention is given to property owners' tenure in the area, their business operations in general (i.e. auto malls, big box stores, manufacturing), tax collections and appeal history.

TAXPAYERS

A project area's tax base will likely be more concentrated than that of a general municipality, though the extent of concentration varies among project areas. A credit analyst should not only focus on the largest taxpayers in terms of their share of a project area's total AV, but should also consider the predominant makeup of the largest assessees, i.e. commercial or residential properties. All else being equal, areas that are predominantly commercial or industrial in nature will likely have a more concentrated tax base. These types of assessees are more likely to appeal their property values and/or be delinquent in their tax payments.

As mentioned in the Land Uses section, with concentrated areas, it is advisable to focus on a number of characteristics: the length of time the largest assessees have been in the project area; their nature of business; their appeal history (in addition to appeal trends in general); and, to a lesser extent, the potential for future development, which may reduce concentration levels. At the very least, a project area should be able to withstand the loss of its largest taxpayers and still generate sufficient tax increment to cover debt service. For areas that have noticeably concentrated tax bases, it would be prudent to structure the transaction so that tax increment generated from the largest assessees is carved out of the transaction (see Legal Provisions for more detail).

PROPOSITION 8

Prop 8 requires the county assessor to annually enroll either a property's Prop 13 value or its current market value, whichever is less. When the current market value replaces the higher Prop 13 value on the assessor's roll, that lower value is commonly referred to as a Prop 8 value.

Although the annual increase for a Prop 13 value is limited to no more than 2%, the same restriction does not apply to values adjusted under Prop 8. The market value of a Prop 8 property is reviewed annually as of January 1; the current market value must be enrolled as long as the Prop 8 value still falls below the Prop 13 value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. When the current market value of a Prop 8 property exceeds its Prop 13 value (adjusted for inflation), the county assessor reinstates the Prop 13 value.

Reference: Section 2(b) of Article XIII A of the California Constitution and section 51 of the Revenue and Taxation Code.

ASSESSED VALUE TRENDS & APPEALS

Unless a property is sold or improved, Prop 13 limits AV growth to a maximum of 2% per year. If market values (i.e. what a property owner could sell his or her property for in the current market) increase faster than is allowed under Prop 13, a Prop 13 Cushion is created. If a project area experiences steady growth over a long period of time, a broader market downturn would likely have minimal impact on its AV. Conversely, the faster the growth in AV (for new sales and/or construction), the more closely AV will reflect current market values. This type of area benefits less from the Prop 13 Cushion and will be less protected in a market downturn due to successful assessment appeals, including "Prop 8" reductions initiated by county assessors.

Credit analysts should focus on recent AV trends in a project area, and at the very minimum look back at least five years, or more, depending on their findings. One should carefully examine the type of growth that has occurred (i.e. property sales and new construction) and whether such growth will affect a project area during an economic downturn. Past appeal patterns within a project area are also an important consideration, specifically the frequency and number of appeals and past taxpayer success rates. During FY 2008/09, assessors in several counties began proactively instituting Prop 8 reductions on a select number of residential properties to bring their AV closer to market levels that reflected the housing downturn. These reductions were granted prior to homeowners filing formal appeals. The impact in fiscal year 2008/09 was minimal, but the trend has continued into fiscal year 2009/10 at an increasing rate. Inundated with appeal filings and law firms flocking to represent homeowners during the 1990s, some county assessors were forced to grant across-the-board reductions so as not to miss the timeframe in which to hear an appeal. Since the economic downturn has spread beyond the housing market and into the broader economy, assessment appeals from commercial/retail and industrial property owners have begun to increase and will likely continue to do so until the economy shows some improvement.

At National, we carefully examine the level of IAV in a project area relative to its total AV. Clearly, the lower the ratio, the greater a decline in total AV will have on tax increment. A decline in AV will of course impact debt service coverage. This topic is discussed in greater detail under Stress Test Analysis. National's foremost concern is the total decline a project area can withstand before it generates less than sum sufficient debt service coverage.

PLAN LIMITATIONS

Redevelopment plans are subject to numerous limitations, though these limitations are not uniform across all areas. The most relevant limitations to the analysis are the final date to collect tax increment and the total amount of tax increment an agency is entitled to collect from a particular project area. While all project areas have a final date to collect tax increment, not all have a cap on tax increment. Limitations are established at the time a plan is adopted but they can be amended by an action on the part of the redevelopment agency or even by an act of the State Legislature. For example, in recent years, agencies were allowed to extend some of the time limitations contained in their plans because the State required that they allocate a portion of their tax increment to their respective countywide Educational Revenue Augmentation Fund ("ERAF").

Like many municipalities, redevelopment agencies try to maximize bond proceeds to fulfill their mission. In light of the time limitation on the receipt of tax increment, agencies will often structure their bonds with a final maturity that closely coincides with the project area's final date to collect tax increment. In certain instances, National has been asked to insure TABs that mature after the final collection date, under the assumption that either a debt service reserve fund will be used to cover the final maturity or that pending legislation will entitle the agency to extend the current time limitation. Neither of these assumptions is acceptable to National, and all TABs in our portfolio mature prior to the project areas' final collection dates.

Project areas subject to a tax increment limitation can have the cap increased or even eliminated, though the process to do so is quite lengthy and there is no guarantee it will be granted. The actual dollar limitation depends on how the redevelopment plan was originally written. Some limitations are structured as a gross limitation, that is, the first dollar allocated to the agency goes against the limit. Others are structured as a net limitation, whereby certain obligations are netted against the cap, such as the project area's 20% housing set-aside and/or pass-through/tax sharing obligations. Regardless of the structure, AV growth in a project area can occur faster than anticipated, which can cause the limit to be reached prior to final TAB maturity. Please refer to the Legal Provisions section for a discussion on how this risk is mitigated.

Other common limitations include a final date to carry out redevelopment activities, a time limit to issue debt and a cap on the amount of debt that

ERAF

In 1992, to help meet its educational funding obligations, the State passed legislation that shifted part of its obligations to local governments. In order to do so, the State instructed county auditors to shift the allocation of local property tax revenues from local government to an Educational Revenue Augmentation Fund ("ERAF"). The legislation required specific amounts of city, county and other local agency property taxes to be deposited into these funds to support education.

Reference:
http://www.californiacityfinance.com/ERAFfacts.pdf

an agency may issue for a particular project area. Redevelopment agencies often adopt ordinances that eliminate the time to issue debt, though in doing so, they become obligated to make statutory tax-sharing payments to affected taxing entities (see Pass-Through, Statutory Tax-Sharing & Other Obligations for more detail).

TAX RATES

As discussed earlier, redevelopment agencies receive tax increment generated off of IAV in the project area from the 1% tax rate established under Prop 13. They do not have the power to levy a property tax or increase the tax rate. As a result, redevelopment activities are accomplished at no additional burden to property owners in a given project area. Prop 13 also requires municipalities to obtain voter approval for any tax rate overrides, most of which are levied to repay general obligation bonds. Agencies receive tax increment from tax rate overrides on properties within a project area, though the levy must have been in place prior to January 1, 1989. Agencies do not receive tax increment from tax rate overrides approved after January 1, 1989.

We typically require that TABs are structured using only the general 1% tax rate even if a project area receives tax increment from a pre-1989 tax rate override. The rationale is that the agency itself has no power to levy/control the override and the override will likely decline (at least in the case of general obligation bonds) as AV increases and the general obligation bonds mature.

TAX COLLECTIONS

Historical tax collections are an important part of the credit analysis since agencies lack the power to raise the tax rate and since tax increment is essentially their only source of revenue. Several counties participate in the Teeter Plan, which essentially provides taxing entities (including redevelopment agencies) 100% of taxes on the secured roll regardless of taxpayer delinquencies. The upside for the county is that they are entitled to all of the penalties received on late property tax payments. While several agencies' tax increment is covered by their counties' participation in the Teeter Plan, a credit analyst should still review historical collection trends since a county can opt out of the Teeter Plan at any time.

PASS-THROUGH, STATUTORY TAX-SHARING & OTHER OBLIGATIONS

The vast majority of project areas are subject to some form of pass-through or statutory tax-sharing obligations with some or all of the affected taxing entities whose boundaries overlap the project area. These payments come from a portion of a project area's tax increment and are in addition to the taxing entity's share of tax revenue generated from the BYV. Agencies also have administrative expenses to account for, though these obligations are explicitly subordinate to debt service. Pass-through and statutory obligations that are subordinated to debt service make for a stronger credit and provide a more plausible argument that the agency won't fully leverage tax increment because it has other obligations to satisfy.

Project areas adopted before 1994 may be subject to a number of different negotiated pass-through agreements with overlapping taxing entities. These agreements vary from project area to project area and from taxing entity to taxing entity. Many have what we refer to as "ramp-up" provisions, where the amount of tax increment an agency must share with a taxing entity can increase over time. The increase in payments may be tied to AV growth, or the amount of increment collected, or it may even be date specific. Since tax increment is a highly passive revenue stream and there is no guarantee that AV will increase in a given year, a conservative deal would be structured assuming all pass-through payments with automatic ramp-up provisions are at their maximum payment level at the time of the debt issuance. This structure helps ensure that an agency has sufficient tax increment from the current AV in the project area (without relying on future tax base growth) to meet its debt service obligations regardless of a spike in pass-through payments in the future.

An example of these increased pass-through payments is shown in Table 2. Assume that a school district's share of the 1% tax rate is 30%. To offset the incremental revenue "lost" to the redevelopment agency, the school district has negotiated an agreement to receive 50% of its share of the 1% tax rate off of IAV through fiscal year 2006/07. Thereafter, it is to receive 100% of its share of the 1% tax rate off of IAV.

- **Column A** – In fiscal year 2006/07, an agency issues TABs with Maximum Annual Debt Service ("MADS") coverage of 1.50x. However, under this scenario, the school district is only receiving half of its pass-through payment (50% of 30%).
- **Column B** – In the next fiscal year, the payments to the school district increase to the full amount (100% of 30%). As mentioned previously, we do not assume any future growth in the tax base, so as a result, MADS coverage decreases to 1.15x. This is prior to the application of our standard stress tests.
- **Column C** – An appropriate structure assumes the school district's payment is at the maximum amount at the time the agency issues the TABs. As a result, MADS is reduced to $1.2 million from $1.6 million to better accommodate for the increase in the school district payment.

TABLE 2

		(000)	
	A	B	C
Fiscal Year	**2006/07**	**2007/08**	**2006/07**
Total Assessed Value (AV)	$400,000	$400,000	$400,000
Less: Base Year Value (BYV)	(25,000)	(25,000)	(25,000)
Incremental Assessed Value (IAV)	$375,000	$375,000	$375,000
Tax Rate	1.00%	1.00%	1.00%
Gross Tax Increment Revenue	3,750	3,750	3,750
Less:			
County Collection Charge (1.50%)	(56)	(56)	(56)
20% Housing Set-Aside	(750)	(750)	(750)
School District Pass-Through Obligation	**(563)**	**(1,125)**	**(1,125)**
Tax Increment Available for Debt Service	$2,381	$1,819	$1,819
MADS	$1,588	$1,588	$1,213
MADS Coverage (x)	1.50	1.15	1.50

ORANGE COUNTY DECISION

In 2002, the Orange County Superior Court ruled that all school districts and community college districts were eligible to receive Section 33676 payments, regardless of whether or not they had elected to do so at the time a redevelopment plan was adopted. While not all counties have followed Orange County's decision, an analyst should consider the potential impact these payments could have on tax increment, should a county choose to do so. This decision is often referred to as the Santa Ana Decision.

Project areas adopted after 1993 are subject to statutory tax-sharing payments with affected taxing entities as required by Assembly Bill 1290 ("AB1290"). Project areas amended after 1993 (in many instances, to eliminate the final date to issue debt) also make statutory tax-sharing payments. The formula for calculating these payments is set by State statute and is much simpler to analyze. These payments may increase over time, but only following growth in the tax base so there is no risk that these payments will "ramp-up" and dilute tax increment and debt service coverage.

SECTION 33676 PAYMENTS

All taxing entities located in project areas that were adopted between 1985 and 1993 were entitled to elect to receive payments equal to the increase in tax increment attributable to inflation adjustments stipulated under Prop 13. In order to receive the payment, the taxing entity must have adopted a resolution to receive the payments before the redevelopment plan was adopted.

These payments are commonly referred to as Section 33676 payments and are calculated as shown in Table 3. A project area's BYV is increased the year after the area was formed by the lesser of 2% or CPI, thereby creating an Adjusted Base Year Value (see Column A). This occurs each fiscal year based on the previous year's Adjusted Base Year Value. In our example, the project area was formed in fiscal year 1986 with a BYV of $60 million. The inflation factor used in fiscal year 1987 was 2% (see Column B) so the project area's Adjusted Base Year Value that year was $61.2 million. By fiscal year 2007, the project area's Adjusted Base Year Value was $89.2 million.

Each year, the project area's original BYV ($60 million) is subtracted from the current year's Adjusted Base Year Value (see Column C). This amounted to $1.2 million in fiscal year 1987. The 1% tax rate is applied to this amount to determine the total amount of tax revenue that could be derived by Section 33676 (see Column D). In our example, three taxing entities elected to receive Section 33676 payments. The payments are made based on each entity's share of the 1% tax rate (see Columns E-H). For example, in fiscal year 1987, the City received $2,000, which is equal to its share (16.45%) of tax revenue generated by the 1% tax rate on the difference between the Adjusted Base Year Value and the original BYV.

Though these payments are not typically thought of as a pass-through payment, they can be an important credit issue depending on the number of affected taxing entities that elected to receive them and each entity's share of the 1% tax

TABLE 3[1]

(000)

	A	B	C	D	E	F	G	H
					SECTION 33676 PAYMENTS			
Fiscal Year	**Adjusted Base Year Value**	**Inflation Factor**	**Adjusted Base Over Original Base Year Value of $60,000**	**Total 1.00% Tax Revenue from Adjusted Base Year Value**	**City (16.45%)**	**County (28.74%)**	**Fire District (5.28%)**	**Total (E+F+G)**
1986	$60,000	Base Year						
1987	61,200	2.00%	$1,200	$12	$2	$3	$1	$6
1988	62,424	2.00%	2,424	24	4	7	1	12
1989	63,672	2.00%	3,672	37	6	11	2	19
1990	64,946	2.00%	4,946	49	8	14	3	25
1991	66,245	2.00%	6,245	62	10	18	3	32
1992	67,570	2.00%	7,570	76	12	22	4	38
1993	68,921	2.00%	8,921	89	15	26	5	45
1994	70,300	2.00%	10,300	103	17	30	5	52
1995	71,706	2.00%	11,706	117	19	34	6	59
1996	72,559	**1.19%**	12,559	126	21	36	7	63
1997	73,364	**1.11%**	13,364	134	22	38	7	67
1998	74,832	2.00%	14,832	148	24	43	8	75
1999	76,328	2.00%	16,328	163	27	47	9	82
2000	77,740	**1.85%**	17,740	177	29	51	9	90
2001	79,295	2.00%	19,295	193	32	55	10	97
2002	80,881	2.00%	20,881	209	34	60	11	105
2003	82,499	2.00%	22,499	225	37	65	12	114
2004	84,149	2.00%	24,149	241	40	69	13	122
2005	85,722	**1.87%**	25,722	257	42	74	14	130
2006	87,437	2.00%	27,437	274	45	79	14	138
2007	$89,185	2.00%	$29,185	$292	$48	$84	$15	$147

Years when inflation was actually less than 2.00%.

Footnote 1: Numbers may not total due to rounding.

rate. The larger both of these are, the more the payments can dilute tax increment over time. Moreover, the annual increase in the Adjusted Base Year Value, while limited by Prop 13, is not tied to AV trends within the project area. A situation could arise where AV in a project area is flat or even declining and the Section 33676 payments continue to increase.

Another consideration with Section 33676 payments is that they are deducted before the agency receives any tax increment. Because of this, not only do the payments decrease net tax increment (i.e. gross increment minus pass-through payments, the 20% housing set-aside, etc.), they also decrease the agency's 20% housing set-aside, which is otherwise immune to traditional pass-through and statutory tax-sharing payments. The impact is demonstrated in Table 4 for two theoretical project areas. Each area is identical with respect to property values and pass-through payments. The only difference is Project Area 1 is subject to Section 33676 payments while Project Area 2 is not. In addition, each area has the same amount of debt service secured by net tax increment and the 20% housing set-aside. Project Area 2 has sufficient net tax increment to cover MADS 1.50x and sufficient housing increment to cover Housing MADS 1.50x as well. Project Area 1 has only 1.44x MADS coverage from both increment streams even though its debt service obligations are the same. It is worthwhile noting that the payment shown in this table is for the current year only. Like pass-through payments that "ramp-up" over time, the Section 33676 payment will continue to increase regardless of AV trends in the area. It is important to note that for project areas subject to Section 33676 payments, the actual BYV does not change year-over-year. The Adjusted Base Year Value is merely calculated for purposes of determining the annual Section 33676 payments.

AMENDED AND MERGED PROJECT AREAS

Many agencies manage multiple project areas. It is common for them to amend a redevelopment plan for a project area by adding additional territory, which is often referred to as an "added area" or "annexed area." In this discussion, the original area and added area are referred to as the "amended project area."

When an agency adds territory to a project area, the redevelopment activities/goals contained in the redevelopment plan now cover both the original area and the added area. However, the added area has its own BYV and is subject to different time limitations, including the time to collect tax increment, the time to issue debt and the time to carry out redevelopment activities. Also, in most instances, it will be subject to its own set of pass-through and/or statutory tax-sharing agreements.

Redevelopment agencies often merge existing project areas to form a "merged project area." Prior to a merger, each project area's objectives were to be carried out under individual redevelopment plans. Once merged, the merged project area is governed under one redevelopment plan. Similar to an added area, each project area within a merged area has its own BYV, is likely subject to its own pass-through and/or statutory tax-sharing agreements and is subject to the same time limitations mentioned above.

The complexity of a typical TAB credit analysis increases substantially with each area that comprises an amended or merged project area. An analyst is advised to analyze the individual areas separately in order to determine how much tax increment each area will generate to support debt service. For example, some of the amended or merged project areas in National's portfolio have over 20 individual areas; that is 20 individual credit reviews for one transaction.

For each area of an amended or merged project area, one should review historical AV trends, the land use makeup, the level of taxpayer concentration, historical tax collections and appeals history. It is essential to determine each area's IAV by deducting its BYV from its total AV. At this point, one should review each area's existing senior ob-

TABLE 4

PROJECT AREA 1: SUBJECT TO SECTION 33676 PAYMENTS	(000)
Fiscal Year	**2006/07**
Total Assessed Value (AV)	$420,000
Less: Base Year Value (BYV)	(60,000)
Incremental Assessed Value (IAV)	360,000
Tax Rate	1.00%
Total Tax Revenue	3,600
Less: 33676 Payments	**(148)**
Adjusted Gross Tax Revenue	3,452
Less:	
County Collection Charge (1.50%)	(52)
20% Housing Set Aside	**(690)**
Pass Through Payments	(604)
Net Tax Increment	**$2,106**
MADS	1,464
MADS Coverage (x)	**1.44**
Housing MADS	480
Housing MADS Coverage (x)	**1.44**

PROJECT AREA 2: NOT SUBJECT TO 33676 PAYMENTS	(000)
Fiscal Year	**2006/07**
Total Assessed Value (AV)	$420,000
Less: Base Year Value (BYV)	(60,000)
Incremental Assessed Value (IAV)	360,000
Tax Rate	1.00%
Gross Tax Revenue	3,600
Less:	
County Collection Charge (1.50%)	(54)
20% Housing Set Aside	**(720)**
Pass Through Payments	(630)
Net Tax Increment	**$2,250**
MADS	1,464
MADS Coverage (x)	**1.50**
Housing MADS	480
Housing MADS Coverage (x)	**1.50**

ligations (pass-through and tax-sharing agreements) in order to determine how much remaining tax increment will be available to cover the proposed bond issue. It is also critical to review each area's time limit to collect tax increment. An appropriate debt structure for an amended or merged project area must account for these collection dates. From National's perspective, a merged or amended project area must be able to show at least the same level of coverage on all parity TABs (i.e. Annual Debt Service "ADS" coverage rather than MADS coverage) through final maturity while assuming no growth in the tax base and accounting for the final collection dates of the individual areas (see Legal Provisions for additional detail).

Failure to undertake a full analysis could result in an inaccurate picture of how an amended or merged project area will meet its debt obligations. An example of this is shown in Table 5 for a merged project area that consists of Project Areas 1, 2 and 3. As the table shows, each of the three project areas has its own BYV and its own pass-through payments and/or statutory tax-sharing payments owed to its respective taxing entities. It is only after these payments are made, and each area accounts for its 20% housing set-aside, that tax increment becomes available for debt service. In this instance, the merged project area has $14.5 million in available tax increment in fiscal year 2007/08. Each area also has its own final tax increment collection date. Project Area # 1 can receive tax increment through fiscal year 2015. Project Area # 2 can receive tax increment through fiscal year 2020 and Project Area # 3 can receive tax increment through 2040.

COLUMNS A & B

If the redevelopment agency structured its TAB issue based on 1.50x MADS coverage, it would have $9.7 million in MADS. However, assuming no growth (or stress) in the tax base, coverage declines to 1.07x in fiscal year 2016 when Project Area # 1 ceases to collect tax increment. Coverage declines further to 0.50x in fiscal year 2021 when Project Area # 2 ceases to collect tax increment.

COLUMNS C & D

An appropriate structure takes into account the collection dates of the various areas. Here, debt service is reduced in accordance with the final collection dates. By doing so, an agency is able to maintain ADS coverage of 1.50x through final maturity.

DEBT STRUCTURES

Debt structures for TABs can take a variety of forms. Agencies secure TABs with net tax increment, i.e. gross increment less their 20% housing set-aside and any unsubordinated pass-through/statutory tax-sharing payments. Agencies also issue housing TABs, which are secured by a project area's 20% housing set-aside.

TABLE 5[1]

(000)

Merged Project Area	Project Area #1	Project Area #2	Project Area #3	Total	TAB Structures			
Final Tax Increment Collection Date	February 2, 2015	May 6, 2020	April 10, 2040		**A**	**B**	**C**	**D**
Total Assessed Value (AV)	$750,000	$1,800,000	$975,000					
Less: Base Year Value (BYV)	(100,000)	(360,000)	(200,000)					
Incremental Value (IAV)	650,000	1,440,000	775,000					
Tax Rate	1.00%	1.00%	1.00%					
Gross Tax Increment Revenue	6,500	14,400	7,750					
Less:								
County Collection Charge (1.50%)	(98)	(216)	(116)					
20% Housing Set-Aside	(1,300)	(2,880)	(1,550)					
Fire District Pass-Through	(975)	(2,160)	-					
County Pass-Through	-	(3,600)	-					
AB1290 Statutory Tax-Sharing Payment	-		(1,240)	**Total**				
Tax Increment Available for Debt Service	$4,128	$5,544	$4,844	$14,515				
Fiscal Year					MADS	Cov (X)	ADS	Cov (X)
2008	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2009	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2010	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2011	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2012	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2013	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2014	4,128	5,544	4,844	14,515	9,677	1.50	9,677	**1.50**
2015	4,128	5,544	4,844	14,515	9,677	**1.50**	9,677	**1.50**
2016		5,544	4,844	10,388	9,677	**1.07**	6,925	**1.50**
2017		5,544	4,844	10,388	9,677	1.07	6,925	**1.50**
2018		5,544	4,844	10,388	9,677	1.07	6,925	**1.50**
2019		5,544	4,844	10,388	9,677	1.07	6,925	**1.50**
2020		5,544	4,844	10,388	9,677	**1.07**	6,925	**1.50**
2021			4,844	4,844	9,677	**0.50**	3,229	**1.50**
2022			4,844	4,844	9,677	0.50	3,229	**1.50**
2023			4,844	4,844	9,677	0.50	3,229	**1.50**
2024			4,844	4,844	9,677	0.50	3,229	**1.50**
2025			4,844	4,844	9,677	0.50	3,229	**1.50**
2026			4,844	4,844	9,677	0.50	3,229	**1.50**
2027			4,844	4,844	9,677	0.50	3,229	**1.50**
2028			4,844	4,844	9,677	0.50	3,229	**1.50**

Footnote 1: Numbers may not total due to rounding.

Sometimes an agency will issue a TAB secured by both net tax increment and the 20% housing set-aside. However, the 20% housing set-aside may only be used to support debt service for TABs whose proceeds were used for affordable housing projects. For example, if 35% of the bond proceeds are applied to housing activities, then the 20% housing set-aside may be applied to 35% of debt service, but no more. Net tax increment will be used to support the remaining 65% of debt service. The 20% housing set-aside may not be used to support debt service secured by net tax increment. There are a few exceptions to this rule. Regarding the structure discussed above, National encourages credit analysts to review each revenue stream independently, regardless of how coverage tables are presented in offering documents.

Redevelopment agencies often use a Public Financing Authority ("PFA") to accomplish the financing goals for multiple project areas at one time. National has insured a number of these structures where the PFA issues revenue bonds and loans the proceeds to the agency for specified use in individual project areas. The bonds are secured by loan payments, which are payable from the tax increment of the respective project areas. The agency also uses a portion of the loan proceeds to establish separate Debt Service Reserve Funds ("DSRF") for each of the project areas involved in the financing. **Tax increment generated in one project area may not be used to support the loan payment of another project area, so there really is only 1.00x coverage on the PFA revenue bonds.** A shortfall in tax increment from one project area would result in insufficient loan payments to meet debt service on the PFA's revenue bonds. For transactions with weak project area(s), a senior/subordinate debt structure may be needed, where the subordinate bonds would be structured based on the weak project area's loan. In this instance, coverage on the senior bonds would be greater than 1.00x.

LEGAL PROVISIONS

TABs are subject to numerous legal provisions. National believes the three most important provisions are (1) an additional bonds test ("ABT"); (2) a DSRF; and (3) a plan limitation review covenant.

As discussed earlier, a redevelopment agency's principal goal is the elimination of blight in order to facilitate economic growth within a project area. The issuance of TABs greatly accelerates this process. However, the continued leveraging of tax increment has a downside as well; it can offset tax base growth by diluting debt service coverage. As a result, a strong and well written ABT is of utmost importance.

The most common coverage test in National's portfolio is 1.25x of pro-forma MADS, though some are as low as 1.15x. Other coverage tests are as high as 2.00x, but contain step-down provisions once certain parameters are met, including thresholds of IAV to an area's total AV. There are other factors to consider with ABTs. The ABT should be written using only the 1% tax rate, unless the analyst is convinced that a tax rate override will remain in place throughout the term of the debt and is relatively stable. Credit analysts and investors may also require that for purposes of the test, tax increment be reduced to account for project areas that have a track record for AV reductions from successful appeals or have a history of low or fluctuating tax collections. For concentrated areas, they may also want to require that tax increment generated from the largest taxpayers be excluded from the test.

A MADS test is sufficient for an individual project area but not for an amended or merged project area. As discussed previously, each component area of an amended or merged project area has its own final tax increment collection date. It is probable that at least one component area will reach its final collection date prior to TAB maturity. For this reason, the ABT must be written based on ADS coverage from current tax increment generated in the component areas, while assuming no growth in AV and accounting for the final collection dates. This ensures that an amended or merged project area maintains adequate coverage through bond maturity. If it were not written this way, one could have a situation where MADS coverage is 1.25x today but is less than 1.00x once any of the component areas reaches its final collection date. (See discussion and example under "Amended and Merged Project Areas.")

All TABs in National's portfolio benefit from a DSRF. DSRFs are typically funded at the lesser of 10% of bond proceeds, 125% of average annual debt service or MADS.

It is sometimes likely that a project area may reach its tax increment cap prior to the final maturity of the bonds. To mitigate this risk, National requires an agency to annually determine the remaining amount of increment a project area is entitled to receive relative to outstanding debt service. If the amount of outstanding debt service falls below a certain percentage of remaining tax increment (110% is the most common), an agency is required to either escrow excess tax increment for future debt service or decline to accept increment not needed for current debt service. In doing so, the agency can assure that there will be sufficient tax increment to meet future debt service.

STRESS TEST ANALYSIS

Since tax increment is a passive revenue stream, it is important that a project area be able to withstand a considerable – though at the same time, reasonable – amount of stress and still be able to meet its debt service obligations. Throughout this paper we have discussed all of the important areas of focus when analyzing TABs. A project area must be able to withstand the loss of tax increment related to any area where there is a concern (i.e. a concentrated tax base, overly exposed to commercial/industrial properties, successful appeal trends, etc.). At the very least, a project area must be able to withstand between a 15% to 20% decline in AV and still meet debt service. This is National's minimum requirement; there have been many times when we required that a deal be structured to withstand a much higher level of stress.

Many analysts and investors are concerned with the level of IAV a project area has relevant to its total AV. This is an important consideration for National and its importance is demonstrated in Table 6.

In this example there are two project areas, Project Area 1 and Project Area 2. Assume that both project areas are located in the same municipality but Project Area 1 was established in 1988 and Project Area 2 was established in 2004. Also assume that both project areas leverage net tax increment at a level that produces 1.50x MADS coverage based on fiscal year 2006/07 AV. As of that year, IAV accounted for 94% of Project Area 1's total AV but only 35% of Project Area 2's total AV. Now assume that both project areas experience a 15% decline in AV. Project Area 1 still generates enough net tax increment to cover MADS 1.30x, while Project Area 2's net tax increment is insufficient to cover MADS. As we mentioned earlier, it is important for credit analysts to understand the type of growth that has occurred in a project area. The reason being is that many areas experienced strong AV growth throughout the State in recent years. Project areas that as of a few years ago had little incremental value relative to their total AV, now have a considerable amount of IAV. However, it is probable that many of these areas will lose a considerable amount of the IAV they recently gained due to the collapse in the residential real estate market and the broader economic downturn.

A strong ABT could help mitigate investors' concerns with project areas that are similar to Project Area 2. As shown in Table 6, Project Area 2 could withstand a 15% with 1.75x MADS ABT.

* * *

TABLE 6 **(000)**

	PROJECT AREA 1		PROJECT AREA 2		ABT PROPOSAL FOR PROJECT AREA 2	
Fiscal Year	**2006/07**	**Stressed**	**2006/07**	**Stressed**	**2006/07**	**Stressed**
		15.00%		15.00%		15.00%
Total Assessed Value (AV)	$550,000	$467,500	$650,000	$552,500	$650,000	$552,500
Less: Base Year Value (BYV)	(35,000)	(35,000)	(420,000)	(420,000)	(420,000)	(420,000)
Incremental Assessed Value (IAV)	515,000	432,500	230,000	132,500	230,000	132,500
Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Gross Tax Increment Revenue	5,150	4,325	2,300	1,325	2,300	1,325
Less:						
County Collection Charge (1.50%)	(77)	(65)	(35)	(20)	(35)	(20)
20% Housing Set-Aside	(1,030)	(865)	(460)	(265)	(460)	(265)
Pass-Through Payments	(901)	(757)	(403)	(232)	(403)	(232)
Tax Increment Available for Debt Service	$3,142	$2,638	$1,403	$808	$1,403	$808
MADS	2,094	2,094	935	935	802	802
MADS Coverage (x)	1.50	**1.26**	1.50	**0.86**	**1.75**	**1.01**

CURRENT CHALLENGES

In our opinion, there are three central challenges currently facing redevelopment agencies: (1) difficulty accessing the capital markets; (2) slower growth or declining property values; and (3) the potential for lost tax increment due to the State's attempt to redirect tax increment as part of its budget balancing measures.

TABs play a vital role in expediting redevelopment efforts. Like many municipalities over the past two years, redevelopment agencies have had difficulty accessing the capital markets. If they have been able to access the market, they have often done so at punitive interest rates. The recent decline in TAB issuance is highlighted in Table 7.

With the current downturn in the real estate market and the related impact on property values, redevelopment agencies are faced with a number of difficult decisions. With property values either declining or growing at slower rates than in previous years, agencies are left with less tax increment. Compounded with little revenue flexibility, this translates into less funds available for redevelopment projects. Some agencies will either have to scale back their efforts, cancel projects outright and reduce staff.

To help balance its budgets for fiscal years 2009/10 and 2010/11, the State has redirected $2.1 billion in redevelopment funds for State purposes. The California Redevelopment Association has brought a lawsuit against the State for what they believe to be an unconstitutional shift of property tax revenues. While the case is pending, many agencies will have to budget for these payments, which will certainly have a negative impact on their redevelopment efforts.

* * *

TABLE 7 **(000)**

California Public Debt Issuance	2005	2006	2007	2008	YTD 2009 (through 9/30/09)
CA Tax Allocation Bonds	$2,804,000	$3,657,000	$3,079,000	$1,283,000	$537,000
y/y growth (%)	—	*30%*	*-16%*	*-58%*	*N/A*
Number of TAB Issues	*N/A*	*N/A*	*137*	*70*	*28*
Total CA Public Debt Issues	$70,691,000	$58,429,000	$84,409,000	$68,919,000	$66,169,000
y/y growth (%)	—	*-17%*	*45%*	*-19%*	*N/A*
Number of TAB Issues	*1,964*	*1,541*	*1,662*	*1,197*	*977*

Source: California Debt & Investment Advisory Commission

NATIONAL'S INSURED PORTFOLIO

As of November 2009, National's insured California TAB portfolio totaled $7.5 billion. A complete list of the portfolio is attached in Appendix C. Approximately 95% of National's exposure to tax increment debt is in California.

National has only qualified TABs for municipalities outside of California on a highly selective basis because the property valuation systems in many other states lack the stability and longevity of the system imposed under Prop 13. Most TABs have final maturities between 20 and 30 years. While tax increment is a passive revenue stream for California redevelopment agencies, the likelihood that California residents would overturn Prop 13 is minimal. This provides comfort that the current system will remain in place while TABs are outstanding. Tax rates and valuation trends can and do change considerably in other states (as they did in California prior to Prop 13), making qualifying those transactions a difficult and often impossible process.

HISTORICAL PERFORMANCE OF NATIONAL'S INSURED PORTFOLIO

National's TAB portfolio has historically performed in line with expectations, in part due to our underwriting guidelines. Our portfolio experienced minimal stress during the 1990's recession in California, when typical AV declines in southern California ranged between 15% and 20%. Some areas experienced declines in the mid-30% range, while property values declined in excess of 40% in certain small and heavily commercial areas. These declines do not necessarily reflect the performance of National's insured portfolio. In certain instances a few of the insured TABs did experience significant stress, but there was never a payment default in our portfolio. National's portfolio has also endured other challenging times, including the dot-com bust of 2001 as well as the Loma Prieta Earthquake of 1989 and the Northridge Earthquake of 1994.

Project areas are closely tied with their sponsoring municipality. In hard times as well as in formative years, municipalities acknowledge this fact by loaning funds, restructuring debt and making other revenue available to prevent tax allocation bond defaults in order to preserve this financing vehicle for future use.

There is a general consensus that the current housing collapse and economic recession is far worse than what occurred in California in the 1990's. The full effects of the current environment may not be known for a couple more years. Generally, the credits in National's TAB portfolio consist of project areas with diverse land uses and tax bases, which should help insulate them from a severe downturn in any one economic sector. In addition, the majority of the credits in our portfolio are relatively mature, which we view as a credit strength. Also, there is a considerable time lag between when properties are assessed, when the tax bills are distributed and when the taxes are due. These factors could allow some time for a stabilization in home prices and a turnaround in the economy in general, and for debt restructuring (to the extent needed) to take place. Past moves on the part of county assessors to enact across-the-board reductions in AV had minimal impact on National's portfolio.

Up until the recent housing downturn, many redevelopment agencies took advantage of strong AV growth that occurred by accessing the capital markets. TAB issuance was heavy in 2006 and 2007, but has slowed considerably due to the downturn in the real estate market and the dislocation in the capital markets. In conducting our reviews, we found that in several instances, AV, while down in the current year, is still up from the last time these agencies leveraged tax increment.

* * *

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APPENDIX SUMMARY & NOTES

APPENDIX A: Summary credit reviews for single, amended or merged project area credits.

APPENDIX B: Summary credit reviews for the credits that used a public financing authority ("PFA") structure.

APPENDIX C: Complete list of National's California Tax Allocation Bond portfolio, with Base CUSIP numbers, county locations and National's gross exposure as of November 2009.

NOTES

This study and the related credit summaries drew upon the most current publicly available data. Information was obtained from sources including but not limited to, most recent audited financial reports, Official Statements, continuing disclosure reports, Fiscal Consultant Reports, Bloomberg and EMMA.

In most instances, information related to assessed values, top taxpayers and land uses was provided by Urban Analytics, LLC.

As a reminder, Appendices A & B highlight the 14 largest credits in National's CA TAB portfolio. In addition, please note numbers may not total due to rounding.

If there are any questions about these 14 individual credit summaries or any of the other credits in our portfolio, please contact the individuals named at the beginning of this sector study.

* * *

APPENDIX A

Appendix A highlights the single, amended or merged project area credits that are among the 14 largest TABs in National's portfolio. As we discussed throughout this study, National reviews each area in an amended or merged project area independently. For consolidation purposes, those areas that are amended or merged project areas are presented on an aggregated basis.

The following lists of credits are summarized in Appendix A (alphabetical order):

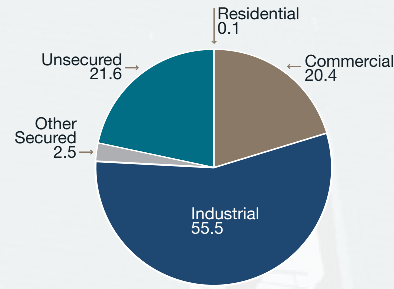
INDUSTRY URBAN-DEVELOPMENT AGENCY, CIVIC–RECREATIONAL-INDUSTRIAL REDEVELOPMENT PROJECT NO. 1

Base CUSIP	456567 & 45656T[1]
National Gross Exposure	$237.2mm
Number of Areas	1
Acreage	4,129
County	Los Angeles
Executive Director	Kevin Radecki

Total Parity Debt Outstanding	$237.2mm
Final Maturity of Parity Debt	May 1, 2021
Final Date to Collect Tax Increment	July 29, 2022
Teeter Plan	No

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Puente Hills Mall LLC	Shopping Center	4.5%
2	JCC California Properties LLC	Building Supplies	3.1
3	White Wave Foods Inc	Food Processing Plant	2.4
4	Santee Dairies Inc	Food Processing Plant	1.8
5	Adcor Realty Corp	Distribution	1.7

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$2,564,761	$2,733,358	$2,740,969	$3,013,353	$3,155,788
Unsecured	622,713	723,419	780,522	859,385	867,669
Total AV	$3,187,474	$3,456,777	$3,521,491	$3,872,738	$4,023,457
Annual Change in Total AV	– –	8.4%	1.9%	10.0%	3.9%
CAGR (2005/06 - 2009/10)					6.0%
Less: Base Year AV	(324,310)	(324,310)	(324,310)	(324,310)	(324,310)
Incremental AV	$2,863,164	$3,132,466	$3,197,180	$3,548,428	$3,699,146
Incremental AV/Total AV	90%	91%	91%	92%	92%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, Civic-Recreational-Industrial Redevelopment Project No. 1 generates sufficient net tax increment to cover MADS 1.80x. At this level, AV could decline by 41% and there would still be sufficient net tax increment to cover MADS 1.00x.

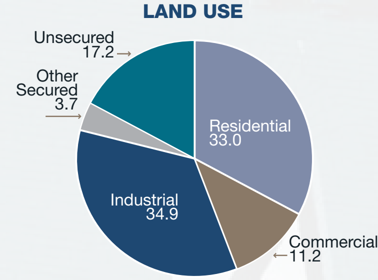
Footnote 1: Base CUSIP 456567 relates to the Industry Urban-Development Agency and in this instance its 2003A&B TABs. Base CUSIP 45656T relates to the City of Industry Public Facilities Authority and in this instance its 2007 Tax Allocation Revenue Bonds (“2007 TARBs”). The 2007 TARBs are secured by payments of principal and interest on the Agency’s 2002 TABs which were redeemed by the Agency in 2007 but remain outstanding and have not been cancelled. The 2002 TABs are secured by net tax increment generated in the Civic-Recreational-Industrial Redevelopment Project No. 1, on a parity with the 2003A&B TABs.

MILPITAS REDEVELOPMENT AGENCY, REDEVELOPMENT PROJECT AREA NO. 1[1]

Base CUSIP	601643
National Gross Exposure	$174.2mm
Number of Areas	4
Acreage	2,230
County	Santa Clara
Executive Director	Emma C. Karlen, C.P.A.
Total Parity Debt Outstanding	$174.2mm
Final Maturity of Parity Debt	September 1, 2032
Final Date to Collect Tax Increment[2]	June 17, 2049
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Cisco Technology Inc.	R&D/Tech. Manufacturing	7.0%
2	Silicon Valley CA 1 LLC	R&D/Tech. Manufacturing	4.5
3	KLA Tencor Corp.	Electronics Manufacturing	3.2
4	Cisco Systems Inc.	Computer Manufacturing	2.5
5	A&P Children Invs. LLC	R&D/Tech. Manufacturing	1.9

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$2,544,690	$2,798,786	$3,177,310	$3,688,452	$3,776,005
Unsecured	654,826	575,708	572,039	689,943	784,591
Total AV	$3,199,517	$3,374,494	$3,749,349	$4,378,395	$4,560,595
Annual Change in Total AV	– –	5.5%	11.1%	16.8%	4.2%
CAGR (2005/06 - 2009/10)					9.3%
Less: Base Year AV	(799,727)	(799,727)	(799,727)	(799,727)	(799,727)
Incremental AV	$2,399,790	$2,574,767	$2,949,622	$3,578,668	$3,760,869
Incremental AV/Total AV	75%	76%	79%	82%	82%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final increment collection dates for the areas that comprise Redevelopment Project Area No. 1, ADS coverage on the non-housing portion of debt service ranges from a low of 1.84x to a high of 1.98x through final maturity. ADS coverage on the housing portion of debt service ranges from a low of 20.00x to a high of 21.44x through final maturity. At this level, AV could decline by at least 43.0% in each area and there would still be sufficient net tax increment to provide at least 1.00x ADS coverage through final maturity on non-housing debt service. This same decline in AV results in ADS coverage on housing debt service of no lower than 10.90x through final maturity.

Footnotes:

(1) Represents combined data from the areas that comprise Redevelopment Project Area No. 1.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

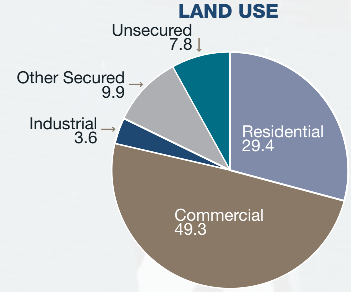
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, CENTRAL DISTRICT REDEVELOPMENT PROJECT [1]

Base CUSIP	672321
National Gross Exposure	$122.9mm
Number of Areas	3
Acreage	828
County	Alameda
Executive Director	Joseph T. Yew, Jr.

Total Parity Debt Outstanding[2]	$193.6mm
Final Maturity of Parity Debt	September 1, 2037
Final Date to Collect Tax Increment[3]	July 7, 2047
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	OCC Venture LLC	Office Buildings	4.0%
2	Kaiser Foundation Health Plan	Administrative Offices/Parking	3.7
3	CIM Oakland Center 21 LP	Office Buildings	3.5
4	Catholic Cathedral Corp. of the East Bay	Churches	3.0
5	CIM Oakland 1 Kaiser Plaza LP	Office Buildings	2.6

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$2,965,699	$3,233,449	$3,646,939	$3,999,140	$4,438,908
Unsecured	341,331	337,796	323,733	331,376	377,080
Total AV	$3,307,031	$3,571,245	$3,970,672	$4,330,516	$4,815,988
Annual Change in Total AV	– –	8.0%	11.2%	9.1%	11.2%
CAGR (2005/06 - 2009/10)					9.9%
Less: Base Year AV	(291,021)	(291,021)	(291,021)	(291,021)	(291,021)
Incremental AV	$3,016,009	$3,280,224	$3,679,650	$4,039,495	$4,524,967
Incremental AV/Total AV	91%	92%	93%	93%	94%

DEBT SERVICE COVERAGE ANALYSIS[4]

While there are outstanding Senior TABs that mature on September 1, 2014, the maximum debt service payable in any year actually occurs in 2016 (MADS year), which is after the Seniors TABs mature. Based on FY 2009/10 AV, the Original Area of the Central District Redevelopment Project generates sufficient net tax increment to cover MADS by 1.40x. At this level, AV could decline by 28.0% and there would still be sufficient net tax increment to cover MADS 1.00x.

Footnotes:

(1) Represents combined data from the areas that comprise the Central District Redevelopment Project.

(2) Total Parity Debt Oustanding is subordinate debt and excludes the Senior Tax Allocation Refunding Bonds Series of 1992.

(3) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

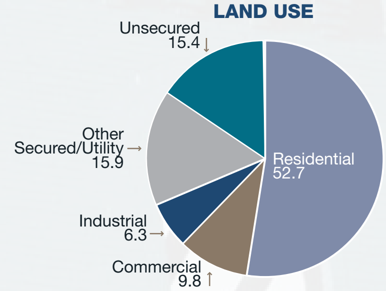
(4) While three areas comprise the Central District Redevelopment Project, in this instance it is sufficient to look at Subordinate MADS coverage rather ADS coverage since all parity Subordinate TABs mature on September 1, 2022 (National's exposure matures on September 1, 2021). The Original Area, which accounts for approximately 97.0% of the Central District Redevelopment Project's total AV, is entitled to collect tax increment through June 12, 2022. Its increment would be available to cover the final payment on all Subordinate TABs, along with increment from the other two areas that comprise this project. The Debt Service Coverage Analysis looks at the Original Area only.

REDEVELOPMENT AGENCY OF THE CITY OF PITTSBURG, LOS MEDANOS COMMUNITY DEVELOPMENT PROJECT [1]

Base CUSIP	724568		
National Gross Exposure[2]	$108.5mm	**Total Parity Debt Outstanding[2]**	$138.1mm
Number of Areas	7	**Final Maturity of Parity Debt**	August 1, 2030
Acreage	5,750	**Final Date to Collect Tax Increment[3]**	June 7, 2044
County	Contra Costa	**Teeter Plan**	Yes
Executive Director	Marie Simons		

TOP TAXPAYERS	**Specific Land Use**	**% of Total AV**
1 Delta Energy Center, LLC	Power Plant	10.9%
2 Calpine Corp.	Power Plant	9.6
3 Sierra Pacific Properties Inc.	Apartments/Shopping Center	2.3
4 Kirker Creek BBS LP	Apartments	1.6
5 United Spiral Pipe LLC	Industrial	1.4

LAND USE



% of Total AV

AV TRENDS	**2005/06**	**2006/07**	**(000)** **2007/08**	**2008/09**	**2009/10**
Secured	$3,525,683	$4,001,808	$4,287,272	$3,755,732	$3,429,470
Unsecured	542,500	554,628	511,857	547,835	622,508
Total AV	$4,068,184	$4,556,436	$4,799,128	$4,303,568	$4,051,978
Annual Change in Total AV	– –	12.0%	5.3%	-10.3%	-5.8%
CAGR (2005/06 - 2009/10)					-0.1%
Less: Base Year AV	(287,052)	(287,052)	(287,052)	(287,052)	(287,052)
Incremental AV	$3,781,132	$4,269,384	$4,512,077	$4,016,516	$3,764,927
Incremental AV/Total AV	93%	94%	94%	93%	93%

DEBT SERVICE COVERAGE ANALYSIS[4]

Based on FY 2009/10 AV, which is down 15.6% since FY 2007/08, and accounting for the final collection dates of the areas that comprise the Los Medanos Community Development Project, net tax increment provides ADS coverage on the Senior TABs from a low of 2.68x to a high of 3.60x through final maturity. At this level, AV could decline by an additional 58% in each area and there would still be sufficient net tax increment to provide at least 1.00x ADS coverage through final maturity on the outstanding Senior TABs.

Footnotes:

(1) Represents combined data from the areas that comprise the Los Medanos Community Development Project.

(2) National's review only considered all outstanding "Senior Debt" as our exposure is to the Series 2002A and 2003A bonds which, along with the Series 1999 bonds, comprise the senior bonds.

(3) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(4) The Los Medanos 1 - Marina sub-area was excluded from the DSC and stress analysis because its total AV is less than its BYV.

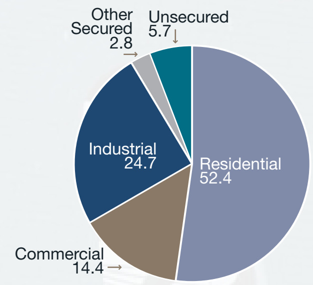
POWAY REDEVELOPLMENT AGENCY, PAGUAY REDEVELOPMENT PROJECT

Base CUSIP	738800
National Gross Exposure	$163.9mm
Number of Areas	1
Acreage	8,200
County	San Diego
Executive Director	Dena Fuentes

Total Parity Debt Outstanding	$236.9mm
Final Maturity of Parity Debt	June 15, 2033
Final Date to Collect Tax Increment	January 12, 2037
Teeter Plan	N/A

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Sorrento West Properties Inc.	Industrial	2.4%
2	Slough Poway 1 LLC	Industrial	2.1
3	Prudential Insurance Co. of America	Industrial	1.0
4	Costco Wholesale Corp.	Commercial	1.0
5	Government Employees Insurance Co.	Commercial/Retail	0.9

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$3,187,979	$3,428,794	$3,659,918	$3,785,410	$3,893,824
Unsecured	251,517	269,357	273,099	211,742	233,876
Total AV	$3,439,496	$3,698,151	$3,933,017	$3,997,152	$4,127,700
Annual Change in Total AV	– –	7.5%	6.4%	1.6%	3.3%
CAGR (2005/06 - 2009/10)					5.1%
Less: Base Year AV	(186,288)	(186,288)	(186,288)	(186,288)	(186,288)
Incremental AV	$3,253,208	$3,511,863	$3,746,729	$3,810,864	$3,941,412
Incremental AV/Total AV	95%	95%	95%	95%	95%

DEBT SERVICE COVERAGE ANALYSIS

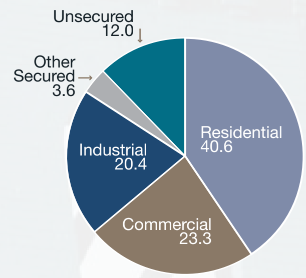
Based on FY 2009/10 AV, the Paguay Redevelopment Project generates sufficient net tax increment to cover MADS on non-housing debt service 1.85x, as well as housing tax increment to cover MADS on housing debt service 3.47x. At this level, AV could decline by 46% and there would still be sufficient net tax increment to cover MADS on non-housing debt service 1.00x. Housing tax increment would cover MADS on housing debt service 1.88x under the same scenario.

RANCHO CUCAMONGA REDEVELOPMENT AGENCY, RANCHO REDEVELOPMENT PROJECT

Base CUSIP	752123
National Gross Exposure[1]	$232.4mm
Number of Areas	1
Acreage	7,652
County	San Bernadino
Executive Director	Jack Lam

Total Debt Outstanding[2]	$423.1mm
Final Maturity of Debt[3]	September 1, 2034
Final Date to Collect Tax Increment	December 23, 2034
Teeter Plan	No

LAND USE



% of Total AV

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Victoria Gardens Mall LLC	Shopping Center	2.5%
2	PK Sale LLC	Shopping Center	1.3
3	Homecoming 1 At Terra Vista LLC	Residential Apartments	1.2
4	RREEF America REIT 2 Corp TTTT	Residential Apartments	1.0
5	Catellus Development Corp.	Distribution/Industrial	1.0

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$5,705,228	$6,694,926	$7,805,150	$8,391,318	$8,425,906
Unsecured	752,345	1,015,092	1,032,616	1,105,858	1,148,399
Total AV	$6,457,573	$7,710,018	$8,837,766	$9,497,176	$9,574,305
Annual Change in Total AV	– –	19.4%	14.6%	7.5%	0.8%
CAGR (2005/06 - 2009/10)					10.3%
Less: Base Year AV	(299,384)	(299,384)	(299,384)	(299,384)	(299,384)
Incremental AV	$6,158,188	$7,410,634	$8,538,381	$9,197,792	$9,274,921
Incremental AV/Total AV	95%	96%	97%	97%	97%

DEBT SERVICE COVERAGE ANALYSIS[3]

Based on FY 2009/10 AV, the Rancho Redevelopment Project generates sufficient net tax increment to cover MADS on its non-housing TABs 3.39x. Housing tax increment, after deduction for the outstanding senior housing loan obligation, provides ADS coverage on Housing TABs of 1.66x through 2026 (the year when the senior housing loan matures). Once the senior housing loan matures, ADS on Housing TABs increases and coverage decreases to 1.58x through final maturity (2034). At this level, a 37% decline in AV results in 1.00x ADS coverage on the outstanding Housing TABs, before and after the maturity of the senior housing loan. This same AV decline results in 2.15x MADS coverage on outstanding TABs secured by net tax increment.

Footnotes:

(1) Exposure consists of $148.5 mm of Housing TABs, a $12.1 mm senior housing loan obligation, which is senior to the Housing TABs, and $71.8 mm of TABs secured by net tax increment.

(2) Outstanding Debt consists of the $148.5 mm of Housing TABs, the $12.1 mm senior housing loan obligation, and $262.5 mm of TABs secured by net tax increment.

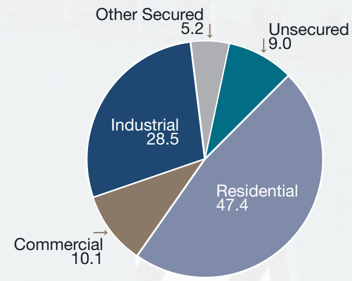
(3) Final Maturity of Housing TABs is September 1, 2034. Final Maturity of non-Housing TABs is September 1, 2032.

RICHMOND COMMUNITY REDEVELOPMENT AGENCY, MERGED PROJECT AREAS [1]

Base CUSIP[2]	764472, 76443N and 764424		
National Gross Exposure[3]	$137.3mm	**Total Debt Outstanding**	$153.3mm
Number of Areas	18	**Final Maturity of Debt**	September 1, 2036
Acreage	5,338	**Final Date to Collect Tax Increment**[4]	July 12, 2050
County	Contra Costa	**Teeter Plan**	Yes
Executive Director	James C. Goins		

TOP TAXPAYERS	Specific Land Use	% of Total AV
1 Lennar Emerald Marina Shores	Residential	4.6%
2 Kaiser Foundation Hospital	Hospital	3.1
3 Cherokee Simeon Venture I	Commercial	2.2
4 Foss Maritime	Unsecured	2.2
5 Stephens and Stephens	Industrial	2.1

LAND USE



% of Total AV

	(000)				
AV TRENDS[5]	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$1,617,567	$3,017,864	$3,360,060	$3,465,744	$2,663,594
Unsecured	145,455	216,206	212,759	238,993	259,527
Total AV	$1,763,023	$3,234,070	$3,572,819	$3,704,737	$2,923,121
Annual Change in Total AV	– –	83.4%	10.5%	3.7%	-21.1%
CAGR (2006/07 - 2009/10)					-3.3%
Less: Base Year AV	(426,143)	(1,256,027)	(1,256,027)	(1,258,732)	(1,258,732)
Incremental AV	$1,336,880	$1,978,042	$2,316,791	$2,446,004	$1,664,389
Incremental AV/Total AV	76%	61%	65%	66%	57%

DEBT SERVICE COVERAGE ANALYSIS

At the time of the Agency's last TAB financing in FY 2006/07, AV throughout the Merged Project Areas totaled $3.2 billion. This was a considerable increase over 2005/06, due in part to the creation of 10B (2005 Area). By FY 2008/09, total AV had increased by 14.6% over FY 2006/07. AV throughout the Merged Project Areas is down by approximately 21.0% in FY 2009/10. Based on current AV and accounting for the final collection dates: (1) there is sufficient net tax increment and housing tax increment from the Pre-2004 Limit Areas to cover ADS on the 2000A and 2000B TABs through final maturity, respectively; (2) there is sufficient net tax increment from the Post-2004 Limit Areas to cover ADS on the 2003A&B TABs through final maturity; (3) the potential exists for coverage to fall below 1.00x on the Subordinate 2007A TABs and the non-housing portion of the Subordinate 2004A TABs, though this would not occur until 2029; and (4) the potential exists for coverage to fall below 1.00x on the Subordinate 2007B TABs, the 2004B TABs and the housing portion of the 2004A TABs, though this would not occur until 2026. This all assumes no AV growth from current levels. Based on the long lead time, there may be opportunities to mitigate these potential shortfalls.

Footnotes:

(1) Represents combined data from the areas that comprise the Merged Project Areas.

(2) National's gross exposure includes the Series 1998 Harbour Redevelopment Project TABs (CUSIP: 764472) (see #94 on National's exposure list in Appendix C), the Series 2000A&B and 2003A&B Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds (CUSIP:76443N) and the Subordinate 2007A&B Series TABs (CUSIP: 764424).

(3) The 1998 Harbour Redevelopment Project TABs are secured by a senior lien on net tax increment from the Harbour area only. The 2000A and 2000B TABs are secured by a lien on net tax increment and housing tax increment, respectively, from the Pre-2004 Limit Areas (9 areas). The 2003A&B TABs are secured by a lien on net tax increment from the Post-2004 Limit Areas (8 areas, including the Harbour area). The 2007A TABs are secured by a lien on net tax increment from the Merged Project Areas (the Pre-2004 and Post-2004 Limit Areas and Project No. 10B (2005 Area), on a parity with the non-housing portion of the outstanding 2004A TABs (not insured by National), but subordinate to the 2000A and 2003A&B TABs. The 2007B TABs are secured by a lien on housing tax increment from the Merged Project Areas, on parity with the housing portion of the 2004A TABs and the 2004B TABs (not insured by National), but subordinate to the 2000B TABs.

(4) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(5) The 10B (2005 Area) was added to the Merged Project Areas in FY2006/07.

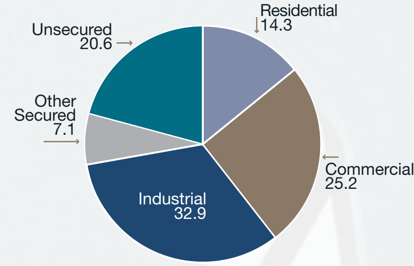
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE, MERGED AREA REDEVELOPMENT PROJECT [1]

Base CUSIP	798147
National Gross Exposure[2]	$1.1bn
Number of Areas	16
Acreage	8,110
County	Santa Clara
Executive Director	David Baum

Total Senior Debt Outstanding[3]	$2.0bn
Final Maturity of Senior Debt[4]	August 1, 2036
Final Date to Collect Tax Increment[5]	December 13, 2041
Teeter Plan	Yes

TOP TAXPAYERS		**Specific Land Use**	**% of Total AV**
1	Cisco Systems Inc.	Computer Manufacturing	9.5%
2	Cisco Technology Inc.	Computer Manufacturing	5.3
3	Blackhawk Parent LLC	General Office Building	4.2
4	The Irvine Company LLC	Real Estate Development	3.2
5	Hitachi Global Storage Techs Inc.	Computer Storage	3.1

LAND USE



% of Total AV

			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$11,192,966	$12,116,350	$13,948,249	$15,256,509	$15,888,334
Unsecured	3,822,610	3,975,452	4,105,405	4,253,680	4,115,098
Total AV	$15,015,576	$16,091,802	$18,053,654	$19,510,189	$20,003,431
Annual Change in Total AV	– –	7.2%	12.2%	8.1%	2.5%
CAGR (2005/06 - 2009/10)					7.4%
Less: Base Year AV	(1,097,107)	(1,097,107)	(1,097,107)	(1,097,107)	(1,097,107)
Incremental AV	$13,918,469	$14,994,695	$16,956,547	$18,413,082	$18,906,324
Incremental AV/Total AV	93%	93%	94%	94%	95%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final tax increment collection dates of the areas that comprise the Merged Area Redevelopment Project, ADS coverage on non-Housing Senior TABs ranges from 1.18x to 1.74x through final maturity. ADS coverage on Senior Housing TABs ranges from 2.61x to 8.00x through final maturity. At this level, AV could decline by 15% in each area and there would still be sufficient net tax increment to provide ADS coverage of 1.00x through final maturity on all non-Housing Senior TABs. Following the same decline, ADS coverage on outstanding Senior Housing TABs declines to 2.20x to 6.62x through final maturity.

Footnotes:

(1) Represents combined data from the areas that comprise the Merged Area Redevelopment Project.

(2) Exposure consists of $997.0mm of non-Housing Senior TABs and $112.4mm of Senior Housing TABs.

(3) Senior Debt Outstanding consists of $1.8bn of TABs secured by net tax increment and $194.8mm of TABs secured by the housing set aside requirement.

(4) Final Maturity Date of non-Housing Senior TABs is August 1, 2036. Final Maturity Date of Senior Housing TABs is August 1, 2035.

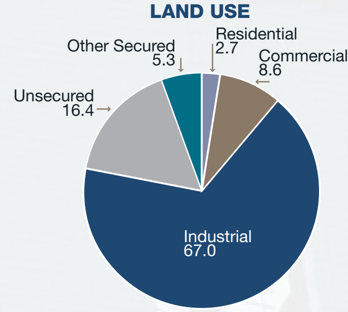
(5) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SANTA FE SPRINGS, CONSOLIDATED REDEVELOPMENT PROJECT[1]

Base CUSIP	80218M		
National Gross Exposure	$126.6mm	**Total Parity Debt Outstanding**	$126.6mm
Number of Areas	9	**Final Maturity of Parity Debt**	September 1, 2028
Acreage	3,450	**Final Date to Collect Tax Increment[2]**	November 20, 2041
County	Los Angeles	**Teeter Plan**	No
Executive Director	Jose A. Gomez		

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Golden Springs Dev. Co. LLC	Industrial	3.2%
2	Golden Springs Dev. Co. LLC	Industrial	3.1
3	Legacy Partners II Santa Fe Springs LLC	Industrial	2.7
4	Breitburn Operating LP	Mineral Rights	2.1
5	Gateway Santa Fe Springs Industrial LLC	Industrial	2.0

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$2,160,872	$2,352,976	$2,652,422	$2,854,116	$2,960,914
Unsecured	415,963	436,173	494,741	535,362	578,950
Total AV	$2,576,836	$2,789,149	$3,147,162	$3,389,478	$3,539,863
Annual Change in Total AV	– –	8.2%	12.8%	7.7%	4.4%
CAGR (2005/06 - 2009/10)					8.3%
Less: Base Year AV	(318,910)	(318,910)	(318,910)	(318,910)	(318,910)
Incremental AV	$2,257,926	$2,470,240	$2,828,253	$3,070,568	$3,220,954
Incremental AV/Total AV	88%	89%	90%	91%	91%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final collection tax increment collection dates of the areas that comprise the Consolidated Redevelopment Project, ADS coverage from net tax increment ranges from a low of 1.51x to a high of 4.39x through final maturity. At this level, AV could decline by at least 30% in each of the areas and there would still be sufficient net tax increment to provide at least 1.00x ADS coverage through final maturity. The DSC and stress analysis excludes net tax increment from the 1982 Annex since this area will likely reach its tax increment cap shortly. Based on FY 2009/10 AV, the 1982 Annex accounted for 28.2% of the Consolidatd Redevelopment Project's total AV.

Footnotes:

(1) Represents combined data from the areas that comprise the Consolidated Redevelopment Project.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

APPENDIX B

Appendix B highlights the TAB credits in National's portfolio that have been issued through a public financing authority ("PFA"). The proper way to review such credits is to review each underlying area within the PFA structure, as highlighted in the body of this study. Therefore, each summary page in Appendix B provides a summary of each underlying borrowing project area within each PFA. Some of the borrowing project areas are amended or merged project areas themselves. As mentioned in Appendix A, for consolidation purposes, those borrowing project areas that are amended or merged project areas are shown on an aggregated basis.

The following credits are summarized in Appendix B (alphabetical order):

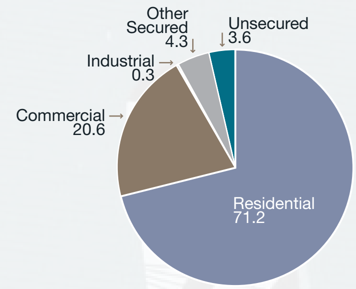
PALM DESERT FINANCING AUTHORITY PROJECT AREA NO. 1, AS AMENDED[1]

Base CUSIP	696617
National Gross Exposure	$125.2mm
Number of Areas	2
Acreage	5,820
County	Riverside
Executive Director	Paul S. Gibson

Total Parity Debt Outstanding	$146.0mm
Final Maturity of Parity Debt	April 1, 2030
Final Date to Collect Tax Increment[2]	November 25, 2032
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	WEA Palm Desert LP	Shopping Center	2.0%
2	Gardens SPE II	Shopping Center	1.4
3	Stewart Elisabeth E TR	Residential Development/Golf	1.1
4	Harsch Inv. Realty	Commercial Center	0.5
5	Bighorn Golf Club	Residential Development/Golf	0.5

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$4,423,144	$4,957,640	$5,388,179	$5,637,997	$5,475,884
Unsecured	175,624	206,355	203,341	216,015	204,418
Total AV	$4,598,768	$5,163,995	$5,591,520	$5,854,012	$5,680,302
Annual Change in Total AV	– –	12.3%	8.3%	4.7%	-3.0%
CAGR (2005/06 - 2009/10)					5.4%
Less: Base Year AV	(683,551)	(683,551)	(683,551)	(683,551)	(683,551)
Incremental AV	$3,915,217	$4,480,444	$4,907,969	$5,170,462	$4,996,751
Incremental AV/Total AV	85%	87%	88%	88%	88%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 3.0% from the prior year, and accounting for the final increment collection date of the original area, Project No.1, As Amended generates sufficient net tax increment to cover ADS from a low of 1.73x to a high of 2.20x through final maturity. At this level, AV could decline by 38.0% in each area and there would still be sufficient net tax increment to cover ADS by at least 1.00x through final maturity.

Footnotes:

(1) Represents combined data from the areas that comprise Project Area No. 1, As Amended.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

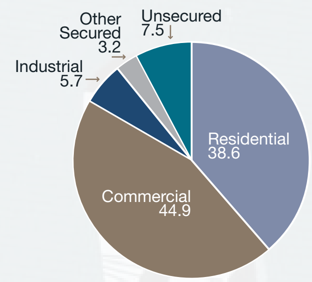
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (1 OF 7)
Arlington Redevelopment Project[1]

Base CUSIP	769044
National Gross Exposure	$18.5mm
Number of Areas	3
Acreage	1,274
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$25.4mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment[2]	June 24, 2049
Teeter Plan	Yes

TOP TAXPAYERS	Specific Land Use	% of Total AV
1 Mept Canyon Park Apartments	Apartment Complex	6.1%
2 CTF5 Citrus Park	General Office Buildings	3.4
3 Elliot Megdal & Assoc LNO	Shopping Center	2.8
4 Lowes HIW Inc	Department Store	2.5
5 Kensington Van Buren	Shopping Center	1.9

LAND USE



% of Total AV

AV TRENDS	(000) 2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$556,341	$667,618	$781,483	$784,010	$751,928
Unsecured	58,562	68,992	62,759	66,429	61,357
Total AV	$614,903	$736,610	$844,242	$850,439	$813,285
Annual Change in Total AV	– –	19.8%	14.6%	0.7%	-4.4%
CAGR (2005/06 - 2009/10)					7.2%
Less: Base Year AV	(368,694)	(368,694)	(368,694)	(368,694)	(368,694)
Incremental AV	$246,210	$367,916	$475,548	$481,746	$444,591
Incremental AV/Total AV	40%	50%	56%	57%	55%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 4.4% from the prior year and accounting for the final tax increment collection dates, the Arlington Redevelopment Project generates sufficient net tax increment to cover ADS 2.1x through 2037 (final maturity). At this level, AV could decline by an additional 27.5% in each area and there would still be sufficient net tax increment to cover ADS through final maturity. While AV is down by a combined 4.4% in FY 2009/10, it is still up from FY 2006/07, which was the last time net tax increment was leveraged for this project.

Footnotes:

(1) Represents combined data from the areas that comprise the Arlington Redevelopment Project.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

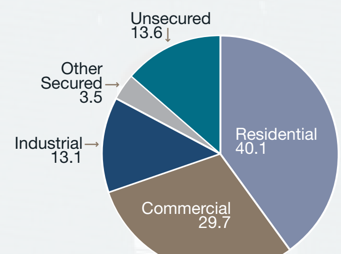
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (2 OF 7)
Casa Blanca Redevelopment Project

Base CUSIP[1]	769044 and 769045
National Gross Exposure	$13.0mm
Number of Areas	1
Acreage	725
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$27.5mm
Final Maturity of Parity Debt	August 1, 2029
Final Date to Collect Tax Increment[2]	November 9, 2029
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	E R Carpenter Co Inc	Industrial Manufacturing	4.4%
2	Carpenter Co	Lumber/Boats	4.2
3	Teyssier Leonard E TR	Commercial Stores	3.7
4	Smith Family Trust	Commercial Stores	3.2
5	HD DEV of Maryland Inc	Commercial Stores	2.8

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$231,670	$275,550	$311,339	$325,529	$292,530
Unsecured	30,739	33,751	34,543	38,652	46,240
Total AV	$262,409	$309,301	$345,882	$364,181	$338,770
Annual Change in Total AV	– –	17.9%	11.8%	5.3%	-7.0%
CAGR (2005/06 - 2009/10)					6.6%
Less: Base Year AV	(19,167)	(19,167)	(19,167)	(19,167)	(19,167)
Incremental AV	$243,242	$290,134	$326,715	$345,013	$319,603
Incremental AV/Total AV	93%	94%	94%	95%	94%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 7.0% from the prior year, the Casa Blanca Redevelopment Project generates sufficient net tax increment to cover MADS 1.35x. At this level, AV could decline by an additional 25.0% and there would still be sufficient net tax increment to cover MADS 1.00x. While AV did decline by 7.0% in FY 2009/10, it is still up from FY 2006/07, which was the last time this project leveraged tax increment.

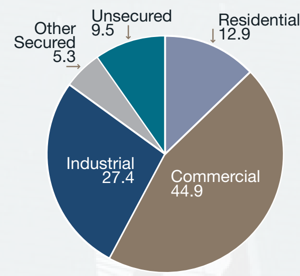
Footnote 1: The first Base CUSIP (769044) above is for the Riverside Public Financing Authority ("PFA"). The second Base CUSIP (769045) is for the Redevelopment Agency of the City of Riverside ("RDA") and, in this istance, the Casa Blanca Redevelopment Project. The Casa Blanca Redevelopment Project obligation with respect to the PFA's bonds is payable on a parity with the 1999 Series A TABs ("1999 TABs") issued by the RDA for the Casa Blanca Redevelopment Project. National issued an insurance policy for an insured bond fund in the amount of $500,000 on the 1999 TABs. See #156 on National's list in Appendix C. The exposure numbers above include this amount.

RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (3 OF 7)
Downtown/Airport Merged Redevelopment Project[1]

Base CUSIP[2]	769044 & 769045		
National Gross Exposure	$42.7mm	**Total Parity Debt Outstanding**	$42.7mm
Number of Areas	6	**Final Maturity of Parity Debt**	August 1, 2037
Acreage	2,417	**Final Date to Collect Tax Increment[3]**	November 27, 2037
County	Riverside	**Teeter Plan**	Yes
Executive Director	Paul Sundeen		

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Riverside Healthcare System	Public Hospitals	8.2%
2	ROHR Inc	Industrial Manufacturing	5.5
3	Press Enterprise Co	Office Buildings	4.9
4	Historic Mission Inn Corp	Hotel/Motel	2.8
5	NNN Mission Square	Office Buildings	2.5

LAND USE



% of Total AV

	(000)				
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$935,456	$1,044,997	$1,127,283	$1,216,410	$1,269,389
Unsecured	147,724	146,466	153,316	144,184	133,930
Total AV	$1,083,180	$1,191,463	$1,280,600	$1,360,594	$1,403,319
Annual Change in Total AV	– –	10.0%	7.5%	6.2%	3.1%
CAGR (2005/06 - 2009/10)					6.7%
Less: Base Year AV	(162,213)	(162,213)	(162,213)	(162,213)	(162,213)
Incremental AV	$920,968	$1,029,250	$1,118,387	$1,198,382	$1,241,107
Incremental AV/Total AV	85%	86%	87%	88%	88%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final tax increment collection dates, the Downtown/Airport Merged Redevelopment Project generates sufficient net tax increment to cover ADS from 1.53x to 11.2x from 2010 through 2037 (final maturity). At this level, AV could decline by at least 31% in each area and there would still be sufficient net tax increment to provide ADS coverage of at least 1.00x through final maturity. In several years, a greater decline would actually be sustainable given the debt structure and final collection dates of the areas that make up this merged project.

Footnotes:

(1) Represents combined data from the areas that comprise the Downtown/Airport Merged Redevelopment Project.

(2) The first Base CUSIP (769044) above is for the Riverside Public Financing Authority ("PFA"). The second Base CUSIP (769045) is for the Redevelopment Agency of the City of Riverside ("RDA") and, in this instance, the Downtown/Airport Merged Redevelopment Project. The Downtown/Airport Merged Redevelopment Project obligation wiith respect to the PFA bonds is payable on a parity with 2003 TABs issued by the RDA for the Downtown/Airport Merged Redevelopment Project. National insured these 2003 TABs. See #60 on National's list in Appendix C. The exposure numbers above include the 2003 TABs.

(3) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

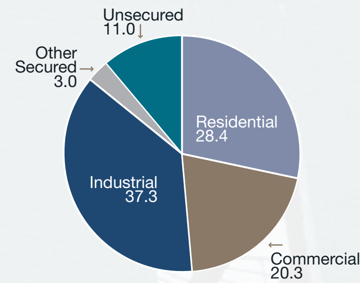
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (4 OF 7)
Hunter Park/Northside Redevelopment Project

Base CUSIP	769044
National Gross Exposure	$23.5mm
Number of Areas	1
Acreage	2,636
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$23.5mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment	June 24, 2049
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Columbia Business Center	Industrial Manufacturing	3.5%
2	KOLL/PER Riverside	Industrial Manufacturing	2.4
3	Troy Coolidge No 3	Shopping Center	1.8
4	Citrus Lewis Partnership	General Office Buildings	1.7
5	PCCP Lincoln Summit	General Office Buildings	1.6

LAND USE



% of Total AV

			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$823,927	$1,042,914	$1,285,174	$1,364,092	$1,266,705
Unsecured	127,528	141,046	144,643	172,186	156,229
Total AV	$951,454	$1,183,961	$1,429,817	$1,536,278	$1,422,934
Annual Change in Total AV	– –	24.4%	20.8%	7.4%	-7.4%
CAGR (2005/06 - 2009/10)					10.6%
Less: Base Year AV	(748,718)	(748,718)	(748,718)	(748,718)	(748,718)
Incremental AV	$202,736	$435,242	$681,099	$787,560	$674,215
Incremental AV/Total AV	21%	37%	48%	51%	47%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 7.4% from the prior year, the Hunter Park/Northside Redevelopment Project generates sufficient net tax increment to cover MADS 3.4x. At this level, AV could decline by an additional 33.5% and there would still be sufficient net tax increment to cover MADS 1.00x. While AV is down 7.4%, it is up from FY 2006/07, which was the last time this project leveraged tax increment.

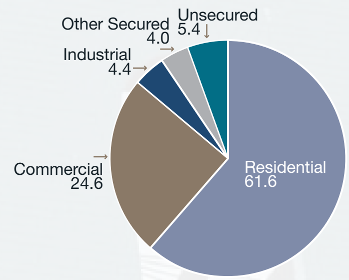
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (5 OF 7)
La Sierra/Arlanza Redevelopment Project

Base CUSIP	769044
National Gross Exposure	$45.8mm
Number of Areas	1
Acreage	6,425
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$45.8mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment	July 13, 2049
Teeter Plan	Yes

TOP TAXPAYERS	Specific Land Use	% of Total AV
1 Tyler Mall Ltd Partnership	Shopping Centers	5.3%
2 La Sierra University	Multiple Residential	3.4
3 Turner Cottonwood	General Office Buildings	1.6
4 BRE PROP Inc	Multiple Residential	1.5
5 PPC Glenbrook	Multiple Residential	1.2

LAND USE



			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$2,882,192	$3,236,117	$3,810,352	$3,735,416	$3,327,436
Unsecured	32,544	155,377	186,354	179,910	190,626
Total AV	$2,914,736	$3,391,494	$3,996,706	$3,915,327	$3,518,062
Annual Change in Total AV	– –	16.4%	17.8%	-2.0%	-10.1%
CAGR (2005/06 - 2009/10)					4.8%
Less: Base Year AV	(2,284,421)	(2,284,421)	(2,284,421)	(2,284,421)	(2,284,421)
Incremental AV	$630,315	$1,107,072	$1,712,284	$1,630,905	$1,233,640
Incremental AV/Total AV	22%	33%	43%	42%	35%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 12% since 2007/08, the La Sierra/Arlanza Redevelopment Project generates sufficient net tax increment to cover MADS 3.2x. At this level, AV could decline by an additional 24.0% and there would still be sufficient net tax increment to cover MADS 1.00x. While AV did decline 12% since FY 2007/08, it is still up from FY 2006/07, which was the last time this project leveraged tax increment.

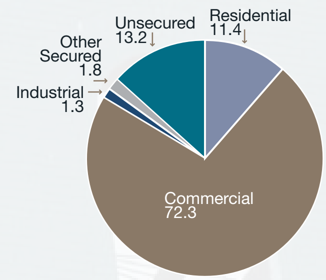
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (6 OF 7)
Magnolia Center Redevelopment Project

Base CUSIP	769044
National Gross Exposure	$16.9mm
Number of Areas	1
Acreage	475
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$16.9mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment	July 14, 2044
Teeter Plan	Yes

TOP TAXPAYERS		**Specific Land Use**	**% of Total AV**
1	Riverside Plaza	Department Stores	11.1%
2	Riverside Clinic INV IV LTD	Medical Office	6.0
3	Magnolia Town Center Assoc	Shopping Center	4.0
4	Sears Roebuck & Co	Department Stores	2.5
5	WPI ARCAL	Commercial Parking Structure	2.2

LAND USE



% of Total AV

			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$392,611	$447,603	$516,450	$536,790	$539,132
Unsecured	63,124	67,619	76,339	86,294	81,715
Total AV	$455,735	$515,222	$592,789	$623,084	$620,847
Annual Change in Total AV	– –	13.1%	15.1%	5.1%	-0.4%
CAGR (2005/06 - 2009/10)					8.0%
Less: Base Year AV	(311,437)	(311,437)	(311,437)	(311,437)	(311,437)
Incremental AV	$144,299	$203,786	$281,352	$311,648	$309,411
Incremental AV/Total AV	32%	40%	47%	50%	50%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is relatively flat from the prior year, the Magnolia Center Redevelopment Project generates sufficient net tax increment to cover MADS 2.0x. At this level, AV could decline by 25% and there would still be sufficient net tax increment to cover MADS 1.00x.

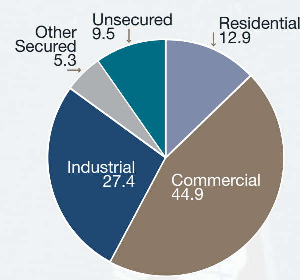
RIVERSIDE (CITY) PUBLIC FINANCING AUTHORITY (7 OF 7)
University Corridor/Sycamore Canyon Merged Redevelopment Project[1]

Base CUSIP	769044
National Gross Exposure	$24.9mm
Number of Areas	5
Acreage	2,346
County	Riverside
Executive Director	Paul Sundeen

Total Parity Debt Outstanding	$43.2mm
Final Maturity of Parity Debt	August 1, 2036
Final Date to Collect Tax Increment[2]	July 8, 2043
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	State Street Bank & Trust Co of Calif BLO	Industrial Storage	6.2%
2	Edgemont Community Services DIST	Industrial Manufacturing	4.4
3	Bottling Group	Industrial Manufacturing	4.1
4	Syccanyons & Sierra	Industrial Storage	4.0
5	Riverside Sycamore	Industrial Storage	3.6

LAND USE



% of Total AV

AV TRENDS (000)	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$624,502	$795,570	$945,789	$1,148,571	$1,204,602
Unsecured	78,495	91,626	136,041	149,728	161,189
Total AV	$702,997	$887,196	$1,081,831	$1,298,299	$1,365,791
Annual Change in Total AV	– –	26.2%	21.9%	20.0%	5.2%
CAGR (2005/06 - 2009/10)					18.1%
Less: Base Year AV	(107,360)	(107,360)	(107,360)	(107,360)	(107,360)
Incremental AV	$595,638	$779,837	$974,471	$1,190,939	$1,258,431
Incremental AV/Total AV	85%	88%	90%	92%	92%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final tax increment collection dates, the University Corridor/Sycamore Canyon Merged Redevelopment Project generates sufficient net tax increment to cover ADS from 2.1x through 3.3x in 2037 (final maturity). At this level, AV could decline by 45.0% in each area and there would still be sufficient net tax increment to provide ADS coverage of at least 1.00x through final maturity. In several years, a greater decline would actually be sustainable given the debt structure and final collection dates of the areas that make up this project.

Footnotes:

(1) Represents combined data from the areas that comprise the University Corriodor/Sycamore Canyon Merged Redevelopment Project.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

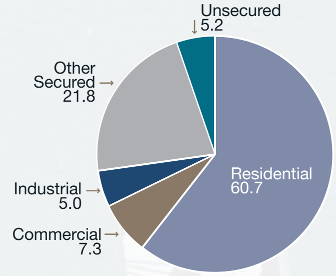
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY (1 OF 5)
Desert Communities Redevelopment Project Area [1]

Base CUSIP	76912T
National Gross Exposure	$67.8mm
Number of Areas	5
Acreage	27,590
County	Riverside
Executive Director	Paul McDonnell

Total Parity Debt Outstanding	$115.9mm
Final Maturity of Parity Debt	October 1, 2037
Final Date to Collect Tax Increment[2]	July 20, 2045
Teeter Plan	Yes

TOP TAXPAYERS		**Specific Land Use**	**% of Total AV**
1	T D Desert Dev	Golf Courses	4.0%
2	Griffin Ranch	Single Family Residential	1.7
3	Coral Option I	Golf Courses	1.4
4	Mission South	Vacant Land	0.8
5	Twin Dev	Irrigated Farmland	0.7

LAND USE



% of Total AV

(000)

AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$1,304,253	$1,929,880	$2,477,548	$2,669,072	$2,619,315
Unsecured	96,285	128,916	109,324	137,820	143,858
Total AV	$1,400,538	$2,058,796	$2,586,872	$2,806,891	$2,763,173
Annual Change in Total AV	– –	47.0%	25.6%	8.5%	-1.6%
CAGR (2005/06 - 2009/10)					18.5%
Less: Base Year AV	(220,418)	(220,418)	(220,418)	(220,418)	(220,418)
Incremental AV	$1,180,120	$1,838,378	$2,366,454	$2,586,474	$2,542,755
Incremental AV/Total AV	84%	89%	91%	92%	92%

DEBT SERVICE COVERAGE ANALYSIS[3]

Based on 2009/10 AV, which is down 1.6% from the prior year, the Desert Communities Redevelopment Project Area generates sufficient net tax increment to cover MADS 1.78x. At this level, AV could decline by 40% in each area and the Desert Communities Redevelopment Project Area would still generate sufficient net tax increment to cover MADS. While AV is down slightly in 2009/10, it still up from 2006/07, which was the last time tax increment was leveraged for this project.

Footnotes:

(1) Represents combined data from the areas that comprise Desert Communities Redevelopment Project Area.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

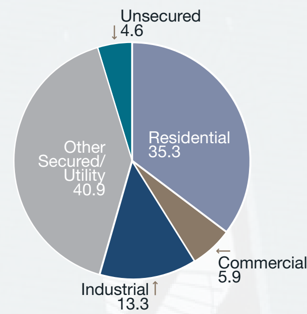
(3) While multiple areas comprise the Desert Communities Redevelopment Project Area, it is sufficient to look at MADS coverage rather than ADS coverage since all areas that comprise this project are eligible to receive tax increment beyond the final maturity of all parity debt. Each area was reviewed independently to determine the amount of increment it would generate to help cover MADS.

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY (2 OF 5)
Interstate 215 Corridor Redevelopment Project Area[1]

Base CUSIP	76912T
National Gross Exposure	$27.7mm
Number of Areas	9
Acreage	12,692
County	Riverside
Executive Director	Paul McDonnell

Total Parity Debt Outstanding	$70.1mm
Final Maturity of Parity Debt	October 1, 2037
Final Date to Collect Tax Increment[2]	May 16, 2051
Teeter Plan	Yes

LAND USE



% of Total AV

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Inland Empire Energy Center, LLC	Utility Property	25.1%
2	Majestic Freeway Business Center	Vacant Land	1.8
3	A Murphy Ranch	Vacant Land	1.3
4	K & N Engineering Inc	Paper Products	1.2
5	FR Cal Harvill Road	Vacant Land	0.8

			(000)		
AV TRENDS[3]	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$927,567	$1,143,302	$2,429,881	$2,787,569	$2,865,714
Unsecured	128,675	167,965	176,370	186,819	139,393
Total AV	$1,056,242	$1,311,267	$2,606,252	$2,974,388	$3,005,106
Annual Change in Total AV	– –	24.1%	98.8%	14.1%	1.0%
CAGR (2007/08 - 2009/10)					7.4%
Less: Base Year AV	(426,624)	(426,624)	(1,067,754)	(1,067,754)	(1,067,754)
Incremental AV	$629,618	$884,644	$1,538,498	$1,906,634	$1,937,352
Incremental AV/Total AV	60%	67%	59%	64%	64%

DEBT SERVICE COVERAGE ANALYSIS[4]

Based on 2009/10 AV, the Interstate 215 Corridor Redevelopment Project Area generates sufficient net tax increment to cover MADS 3.04x. At this level, AV could decline by 54% in six of the nine areas that comprise this project and the Interstate 215 Corridor Redevelopment Project Area would still generate sufficient net tax increment to cover MADS. This analysis excludes the three remaining areas that comprise this project because a 54% decline lowers their AVs below their respective BYVs.

Footnotes:

(1) Represents combined data from the areas that comprise Interstate 215 Corridor Redevelopment Project Area.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(3) Two areas were added to the Interstate 215 Corridor Redevelopment Project Area in FY 2007/08.

(4) While multiple areas comprise the Interstate 215 Corridor Redevelopment Project Area, it is sufficient to look at MADS coverage rather than ADS coverage since all areas that comprise this project are eligible to receive tax increment beyond the final maturity of all parity debt. Each area was reviewed independently to determine the amount of increment it would generate to help cover MADS.

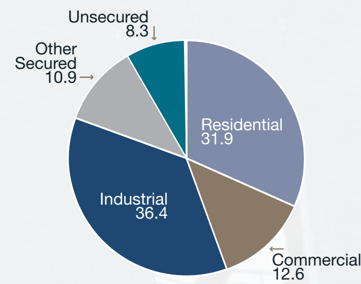
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY (3 OF 5)
Jurupa Valley Redevelopment Project Area [1]

Base CUSIP[2]	76912T & 769123
National Gross Exposure	$151.5mm
Number of Areas	6
Acreage	16,600
County	Riverside
Executive Director	Paul McDonnell

Total Parity Debt Outstanding	$223.7mm
Final Maturity of Parity Debt	October 1, 2037
Final Date to Collect Tax Increment[3]	July 9, 2042
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	AMB Institutional Alliance Fund III	Industrial Storage	3.1%
2	Costco Wholesale Corp	Industrial Manufacturing	2.1
3	Prologis Calif I	Industrial Storage	1.8
4	Metal Container Corp	Industrial Manufacturing	1.6
5	12071 Bellegrave Ave	Vacant Land	1.2

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$3,012,363	$3,500,109	$4,054,742	$4,357,192	$4,154,869
Unsecured	276,193	285,290	335,569	354,473	375,079
Total AV	$3,288,555	$3,785,399	$4,390,310	$4,711,665	$4,529,948
Annual Change in Total AV	– –	15.1%	16.0%	7.3%	-3.9%
CAGR (2005/06 - 2009/10)					8.3%
Less: Base Year AV	(1,104,612)	(1,104,612)	(1,104,612)	(1,104,612)	(1,104,612)
Incremental AV	$2,183,944	$2,680,787	$3,285,699	$3,607,053	$3,425,336
Incremental AV/Total AV	66%	71%	75%	77%	76%

DEBT SERVICE COVERAGE ANALYSIS[4]

Based on 2009/10 AV, which is down 4.0% from the prior year, the Jurupa Valley Redevelopment Project Area generates sufficient net tax increment to cover MADS 1.62x. At this level, AV could decline by 28% in each area, and the Jurupa Valley Redevelopment Project Area would still generate sufficient net tax increment to cover MADS. While AV is down by a combined 3.9% in 2009/10, it still up from 2006/07, which was the last time tax increment was leveraged for this project.

Footnotes:

(1) Represents combined data from the areas that comprise Jurupa Valley Redevelopment Project Area

(2) The first Base CUSIP (76912T) above is for the Riverside County Public Financing Authority ("PFA"). The second Base CUSIP (769123) is for the Redevelopment Agency for the County of Riverside ("RDA"), and in this instance, the Jurupa Valley Redevelopment Project Area. The Jurupa Valley Redevelopment Project Area obligation with respect to the PFA bonds is payable on a parity with 2007 Refunding TABs issued by the RDA for the Jurupa Valley Redevelopment Project Area. National insured the 2007 Refunding TABs for the Jurupa Valley Redevelopment Project Area: See #18 on National's list in Appendix C.

(3) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

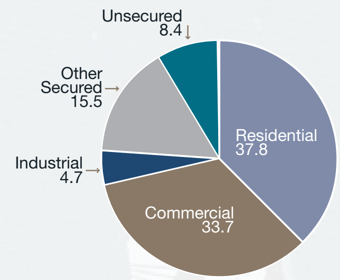
(4) While multiple areas comprise the Jurupa Valley Redevelopment Project Area, it is sufficient to look at MADS coverage rather than ADS coverage since all areas that comprise this project are eligible to receive tax increment beyond the final maturity of all parity debt. Each area was reviewed independently to determine the amount of increment it would generate to help cover MADS.

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY (4 OF 5)
Mid-County Redevelopment Project Area[1]

Base CUSIP	76912T
National Gross Exposure	$11.2mm
Number of Areas	5
Acreage	7,047
County	Riverside
Executive Director	Paul McDonnell
Total Parity Debt Outstanding	$28.4mm
Final Maturity of Parity Debt	October 1, 2037
Final Date to Collect Tax Increment[2]	May 11, 2045
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Chelsea GCA Realty Partnership LP	Shopping Center	9.0%
2	Chelsea GCA Realty Partnership	Commercial Stores	6.9
3	Morongo Band of Mission Indians	Vacant Desert Land	3.4
4	Osborne Dev Corp	Single Family Residential	2.9
5	Cabazon Co Stores	Commercial Stores	2.0

LAND USE



% of Total AV

(000)

AV TRENDS	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$425,781	$488,266	$558,935	$631,162	$573,286
Unsecured	38,250	40,630	43,424	46,596	52,349
Total AV	$464,031	$528,896	$602,358	$677,758	$625,636
Annual Change in Total AV	– –	14.0%	13.9%	12.5%	-7.7%
CAGR (2005/06 - 2009/10)					7.8%
Less: Base Year AV	(127,023)	(127,023)	(127,023)	(127,023)	(127,023)
Incremental AV	$337,008	$401,873	$475,335	$550,734	$498,613
Incremental AV/Total AV	73%	76%	79%	81%	80%

DEBT SERVICE COVERAGE ANALYSIS[3]

Based on FY 2009/10 AV, which is down 7.7% from the prior year, the Mid-County Redevelopment Project Area generates sufficient net tax increment to cover MADS 1.55x. At this level, AV could decline by 28% in each area, and the Mid-County Redevelopment Project Area would still generate sufficient net tax increment to cover MADS. While AV is down by a combined 7.7% in 2009/10, it still up from 2006/07, which was the last time tax increment was leveraged for this project.

Footnotes:

(1) Represents combined data from the areas that comprise Mid-County Redevelopment Project Area.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(3) While multiple areas comprise the Mid-County Redevelopment Project Area, it is sufficient to look at MADS coverage rather than ADS coverage since all areas that comprise this project are eligible to receive tax increment beyond the final maturity of all parity debt. Each area was reviewed independently to determine the amount of increment it would generate to help cover MADS.

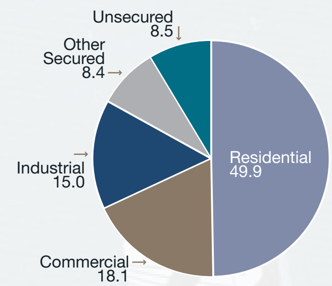
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY (5 OF 5)
Redevelopment Project Area No. 1[1]

Base CUSIP	76912T
National Gross Exposure	$20.9mm
Number of Areas	3
Acreage	4,651
County	Riverside
Executive Director	Paul McDonnell

Total Parity Debt Outstanding	$71.0mm
Final Maturity of Parity Debt	October 1, 2037
Final Date to Collect Tax Increment[2]	December 14, 2045
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Castle & Cooke Corona Crossings I Inc	Shopping Center	6.1%
2	Castle & Cooke Corona Crossings II Inc	Recreational	4.6
3	Fleetwood Aluminum Products Inc	Industrial Manufacturing	1.7
4	TRM Manufacturing	Plastic Products	1.5
5	Castle & Cooke Corona Inc	Commercial Stores	1.4

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$943,941	$1,160,361	$1,301,569	$1,322,423	$1,280,940
Unsecured	76,115	99,122	104,497	114,989	118,755
Total AV	$1,020,056	$1,259,483	$1,406,067	$1,437,412	$1,399,695
Annual Change in Total AV	– –	23.5%	11.6%	2.2%	-2.6%
CAGR (2005/06 - 2009/10)					8.2%
Less: Base Year AV	(446,601)	(446,601)	(446,601)	(446,601)	(446,601)
Incremental AV	$573,455	$812,882	$959,466	$990,811	$953,094
Incremental AV/Total AV	56%	65%	68%	69%	68%

DEBT SERVICE COVERAGE ANALYSIS[3]

Based on FY 2009/10 AV, which is down 2.6% from the prior year, Redevelopment Project No. 1 generates sufficient net tax increment to cover MADS 1.52x. At this level, AV could decline by nearly 24% in each area and Redevelopment Project No.1 would still generate sufficient net tax increment to cover MADS. While AV is down by a combined 2.6% in 2009/10, it still up from 2006/07, which was the last time tax increment was leveraged for this project.

Footnotes:

(1) Represents combined data from the three areas that comprise Redevelopment Project No. 1.

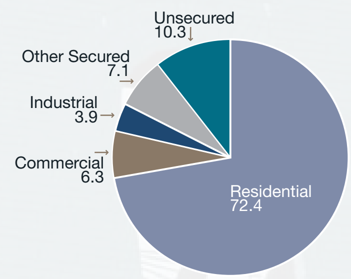
(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(3) While multiple areas comprise the Redevelopment Project Area No. 1, it is sufficient to look at MADS coverage rather than ADS coverage since all areas that comprise this project are eligible to receive tax increment beyond the final maturity of all parity debt. Each area was reviewed independently to determine the amount of increment it would generate to help cover MADS.

SACRAMENTO CITY FINANCING AUTHORITY (1 OF 3)
Del Paso Heights Redevelopment Project [1]

Base CUSIP[2]	786090 & 786129		
National Gross Exposure	$14.4mm	**Total Parity Debt Outstanding**	$22.0mm
Number of Areas	1	**Final Maturity of Parity Debt**	December 1, 2032
Acreage	1,028	**Final Date to Collect Tax Increment**	May 11, 2033
County	Sacramento	**Teeter Plan**	Yes
Executive Director	Satoshi Matsuda		

LAND USE



% of Total AV

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Research Properties	Office	1.4%
2	United Rentals Inc #0516	Unsecured	1.3
3	Woodhaven Senior Residences	Apartment Complex	1.2
4	IBM Credit LLC	Unsecured	1.0
5	A B Equipment	Unsecured	0.8

			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$263,751	$342,053	$400,086	$422,515	$326,359
Unsecured	10,364	10,930	11,076	14,272	37,627
Total AV	$274,115	$352,983	$411,163	$436,787	$363,987
Annual Change in Total AV	– –	28.8%	16.5%	6.2%	-16.7%
CAGR (2005/06 - 2009/10)					7.3%
Less: Base Year AV	(27,059)	(27,059)	(27,059)	(27,059)	(27,059)
Incremental AV	$247,056	$325,925	$384,104	$409,729	$336,928
Incremental AV/Total AV	90%	92%	93%	94%	93%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 16.7% from the prior year, the Del Paso Heights Redevelopment Project will generate sufficient net tax increment to cover non-Housing MADS 1.73x and housing tax increment to cover Housing MADS 1.67x. At this level, AV could decline by an additional 35% and the Del Paso Heights Redevelopment Project would still generate net tax increment to cover non-Housing MADS 1.00x and housing tax increment to cover Housing MADS 1.05x. While AV is down 16.7% over the previous fiscal year, it is still up considerably from FY2005/06, which was the last time the Del Paso Heights Redevelopment Project leveraged its tax increment.

Footnotes:

(1) The housing set aside requirement for the Del Paso Heights Redevelopment Project is 30% of tax increment.

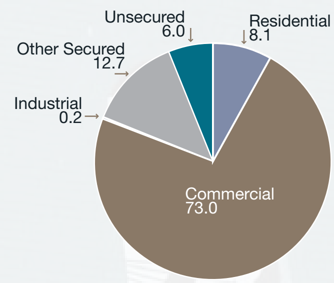
(2) Base CUSIP 786090 relates to the Sacramento City Financing Authority and in this instance, the 2006 Tax Allocation Revenue Bonds, Series A (Del Paso Heights and Oak Park Projects) and the 2006 Taxable Tax Allocation Revenue Bonds, Series B (Del Paso Heights Project) (collectively, the "2006 TARBs"). Base CUSIP 786129 relates to the Sacramento County Public Financing Authority and in this instance, the 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects) (the "2003 TARBs"). The Del Paso Heights Redevelopment Project obligation with respect to the 2006 TARBs is payable on a parity with its obligation on the 2003 TARBs. National insured the 2003 TARBs. See #51 on National's list in Appendix C.

SACRAMENTO CITY FINANCING AUTHORITY (2 OF 3)
Merged Downtown Sacramento Redevelopment Project [1]

Base CUSIP	785849
National Gross Exposure	$131.4mm
Number of Areas	5
Acreage	430
County	Sacramento
Executive Director	Satoshi Matsuda
Total Parity Debt Outstanding	$189.5mm
Final Maturity of Parity Debt	December 1, 2034
Final Date to Collect Tax Increment[2]	July 20, 2035
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Hines Sacramento Wells Fargo Center	Office	8.1%
2	Teachers Ins/Annuity Assoc of America	Office	5.9
3	300 Capitol Associates NF LP	Office	4.7
4	Downtown Plaza LLC	Shopping Center	4.5
5	CIM/J Street Hotel Sacramento LP	Hotel	3.8

LAND USE



% of Total AV

	(000)				
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$1,962,007	$2,096,599	$2,205,921	$2,513,401	$2,687,757
Unsecured	136,053	141,829	144,861	174,542	172,290
Total AV	$2,098,060	$2,238,427	$2,350,782	$2,687,943	$2,860,047
Annual Change in Total AV	– –	6.7%	5.0%	14.3%	6.4%
CAGR (2005/06 - 2009/10)					8.1%
Less: Base Year AV	(193,233)	(193,233)	(193,233)	(193,233)	(193,233)
Incremental AV	$1,904,827	$2,045,194	$2,157,549	$2,494,710	$2,666,813
Incremental AV/Total AV	91%	91%	92%	93%	93%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final tax increment collection dates of the areas that comprise the Merged Downtown Sacramento Redevelopment Project, ADS coverage on non-Housing debt service is 1.36x through 2031 and ADS coverage on Housing debt service is 1.86x. After January 1, 2032, four of the areas cease to collect increment, leaving one area to cover remaining ADS. Based on FY 2009/10 AV, ADS coverage on non-Housing debt service is 1.25x from 2032 through final maturity and ADS coverage on Housing debt service is 1.69x from 2032 through final maturity. At this level, a 20% decline in AV would produce 1.10x ADS coverage on non-Housing debt service through 2031 and 1.00x ADS coverage from 2032 through final maturity and 1.50x ADS coverage on Housing debt service through 2031 and 1.33x from 2032 through final maturity.

Footnotes:

(1) Represents combined data for four of the five areas that comprise the Merged Downtown Sacramento Redevelopment Project.The housing set aside requirement for the Merged Downtown Sacramento Redevelopment Project is 30% of tax increment.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(3) Area 4A was excluded from the DSC and stress analysis because its total AV is less than its BYV.

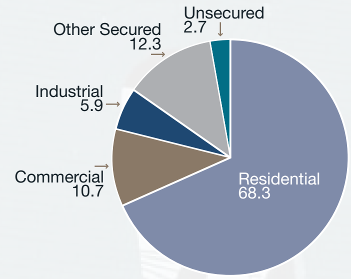
SACRAMENTO CITY FINANCING AUTHORITY (3 OF 3)
Oak Park Redevelopment Project

Base CUSIP[1]	786090 and 785849
National Gross Exposure	$29.0mm
Number of Areas	1
Acreage	1,305
County	Sacramento
Executive Director	Satoshi Matsuda

Total Parity Debt Outstanding	$31.5mm
Final Maturity of Parity Debt	December 1, 2025
Final Date to Collect Tax Increment	May 29, 2026
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Shriners Hospitals for Crippled Children	Hospital	5.6%
2	Rainbow Baking Co of Sacto Valley	Industrial (Food processing)	4.8
3	Regents University CA (Recp/Windsor Sacto Venture)	Hotel	2.0
4	Broadway/Stockton Food Source INV	Large Retail	1.3
5	Crestwood-Medical Center Hospital	Hospital	0.8

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$450,253	$555,636	$628,642	$626,143	$486,586
Unsecured	10,644	10,970	10,363	11,361	13,418
Total AV	$460,897	$566,606	$639,005	$637,503	$500,004
Annual Change in Total AV	– –	22.9%	12.8%	-0.2%	-21.6%
CAGR (2005/06 - 2009/10)					2.1%
Less: Base Year AV	(60,321)	(60,321)	(60,321)	(60,321)	(60,321)
Incremental AV	$400,577	$506,285	$578,684	$577,182	$439,684
Incremental AV/Total AV	87%	89%	91%	91%	88%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY2009/10 AV, which is down 21.6% from the prior year, the Oak Park Redevelopment Project will generate sufficient net tax increment to cover non-Housing MADS 1.43x and housing tax increment to cover Housing MADS 1.54x. At this level, AV could decline by an additional 25% and the Oak Park Redevelopment Project would still generate sufficient net tax increment to cover non-Housing MADS 1.03x and housing tax increment to cover Housing MADS 1.11x. While AV is down in FY2009/10, it is still up from FY2005/06, which was the last time the Oak Park Redevelopment Project leveraged tax increment.

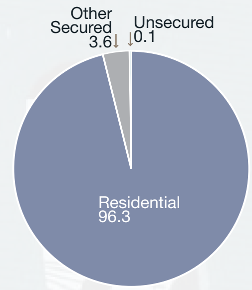
Footnote 1: Base CUSIP 786090 relates to the Sacramento City Financing Authority and in this instance, the 2006 Tax Allocation Revenue Bonds, Series A (Del Paso Heights and Oak Park Projects) (the “2006 TARBs”). Base CUSIP 785849 relates to the Sacramento City Financing Authority and in this instance, the 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) and 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (collectively, the “2005 TARBs”). The Oak Park Redevelopment Project obligation with respect to the 2006 TARBs in on a parity with its obligation on the 2005 TARBs.

CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (1 OF 10)
Bayview Hunters Point Redevelopment Project Area - Project Area A[1]

Base CUSIP	79771P		
National Gross Exposure	$3.1mm	**Total Parity Debt Outstanding**	$6.1mm
Number of Areas	1	**Final Maturity of Parity Debt**	August 1, 2035
Acreage	137	**Final Date to Collect Tax Increment**	January 1, 2044
County	San Francisco	**Teeter Plan**	Yes
Executive Director	Amy Lee		

TOP TAXPAYERS	**Specific Land Use**	**% of Total AV**
1 Northridge Cooperative Homes	Residential Coop	27.2%
2 Unity Homes Inc	Residential Coop	1.6
3 Private Owner	Single Family Residence	1.2
4 Private Owner	Single Family Residence	0.8
5 Private Owner	Single Family Residence	0.7

LAND USE



% of Total AV

			(000)		
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$111,030	$126,652	$135,154	$129,010	$113,119
Unsecured	0	15	15	80	89
Total AV	$111,030	$126,667	$135,169	$129,090	$113,208
Annual Change in Total AV	– –	14.1%	6.7%	-4.5%	-12.3%
CAGR (2005/06 - 2009/10)					0.5%
Less: Base Year AV	(2,847)	(2,847)	(2,847)	(2,847)	(2,847)
Incremental AV	$108,183	$123,820	$132,322	$126,243	$110,361
Incremental AV/Total AV	97%	98%	98%	98%	97%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 16.2% from 2007/08, the Bayview Hunters Point Redevelopment Project Area - Project Area A generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.35x. At this level, AV could decline by an additional 20% and there would still be sufficient net tax increment to cover MADS 1.00x.

Footnote 1: Formerly known as Hunters Point Redevelopment Project Area.

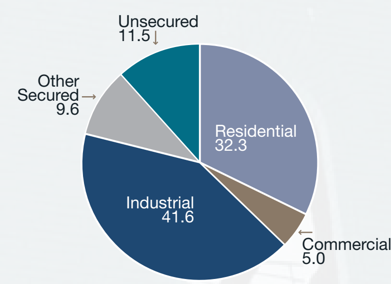
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (2 OF 10)
Bayview Hunters Point Redevelopment Project Area B

Base CUSIP	79771P
National Gross Exposure	$4.2mm
Number of Areas	1
Acreage	1,361
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$25.0mm
Final Maturity of Parity Debt	August 1, 2039
Final Date to Collect Tax Increment	June 1, 2051
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	200 Paul LLC	Industrial	6.4%
2	S F Distribution Center LLC	Industrial	2.4
3	Hearst Corporation	Industrial	2.2
4	SF Third St Equity Partners	Vacant lot	1.2
5	Twenty-Six Sac Self-Storage	Industrial	1.2

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$1,012,520	$1,113,738	$1,275,128	$1,373,970	$1,426,719
Unsecured	146,241	151,886	138,456	125,926	185,692
Total AV	$1,158,761	$1,265,624	$1,413,584	$1,499,896	$1,612,411
Annual Change in Total AV	– –	9.2%	11.7%	6.1%	7.5%
CAGR (2005/06 - 2009/10)					8.6%
Less: Base Year AV	(1,165,228)	(1,165,228)	(1,165,228)	(1,165,228)	(1,165,228)
Incremental AV	-$6,467	$100,396	$248,356	$334,668	$447,183
Incremental AV/Total AV	-1%	8%	18%	22%	28%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY2009/10 AV, the Bayview Hunters Point Redevelopment Project Area B generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.75x. At this level, AV could decline by 12% and there would be sufficient net tax increment to cover MADS 1.00x.

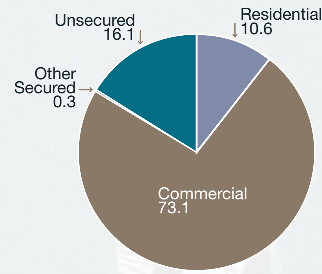
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (3 OF 10)
Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area

Base CUSIP	79771P
National Gross Exposure	$114.0mm
Number of Areas	1
Acreage	51
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$141.2mm
Final Maturity of Parity Debt	August 1, 2036
Final Date to Collect Tax Increment	January 1, 2044
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Boston Properties (1, 2 & 3 Embarcadero Center)	Office and Retail	40.6%
2	Four and Five Embarcadero Center	Office and Retail	24.5
3	PPF Off One Maritime Plaza LP	Office and Retail	5.4
4	Arden Realty LP	Office and Residential	3.8
5	Golden Gateway Center	Residential and Commercial	3.2

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$1,812,087	$1,853,994	$1,896,318	$1,933,532	$1,955,108
Unsecured	232,284	224,724	243,395	330,304	375,236
Total AV	$2,044,371	$2,078,718	$2,139,713	$2,263,836	$2,330,344
Annual Change in Total AV	– –	1.7%	2.9%	5.8%	2.9%
CAGR (2005/06 - 2009/10)					3.3%
Less: Base Year AV	(21,172)	(21,172)	(21,172)	(21,172)	(21,172)
Incremental AV	$2,023,199	$2,057,546	$2,118,541	$2,242,664	$2,309,172
Incremental AV/Total AV	99%	99%	99%	99%	99%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, the Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.40x. At this level, AV could decline by 35% and there would still be sufficient net tax increment to cover MADS 1.00x.

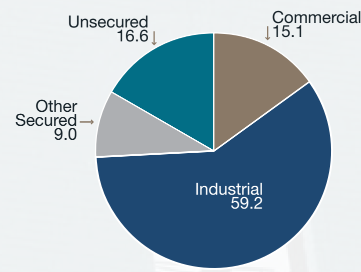
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (4 OF 10)
India Basin Industrial Redevelopment Project Area

Base CUSIP	79771P
National Gross Exposure	$2.8mm
Number of Areas	1
Acreage	126
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$5.9mm
Final Maturity of Parity Debt	August 1, 2035
Final Date to Collect Tax Increment	January 1, 2044
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Mission-Taylor Properties	Industrial	6.7%
2	White Cap Constr Supply Inc	Industrial	6.0
3	Plant Construction Company	Industrial	5.4
4	Olson Carl E & Linda	Industrial	5.1
5	3rd & Evans Street LLC	Industrial	5.1

LAND USE



% of Total AV

	(000)				
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$96,869	$102,667	$100,250	$98,496	$100,653
Unsecured	8,742	15,972	16,628	21,892	20,083
Total AV	$105,611	$118,639	$116,878	$120,388	$120,736
Annual Change in Total AV	– –	12.3%	-1.5%	3.0%	0.3%
CAGR (2005/06 - 2009/10)					3.4%
Less: Base Year AV	(13,691)	(13,691)	(13,691)	(13,691)	(13,691)
Incremental AV	$91,920	$104,948	$103,187	$106,697	$107,045
Incremental AV/Total AV	87%	88%	88%	89%	89%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY2009/10 AV, the India Basin Industrial Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.38x. At this level, AV could decline by 30% and there would still be sufficient net tax increment to cover MADS 1.00x.

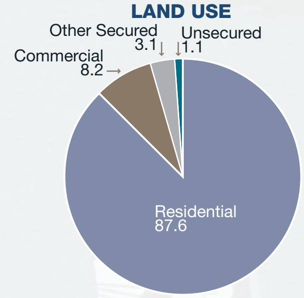
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (5 OF 10)
Mission Bay North Project Area

Base CUSIP	79771P
National Gross Exposure[1]	$17.4mm
Number of Areas	1
Acreage	65
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding[1]	$21.3mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment	October 26, 2043
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	MVP 1 (301 King St)	Apartments/Retail	11.8%
2	Avalon Bay (150 Berry/200 King St)	Apartments/Retail	11.5
3	Beacon LP	Parking/Retail	6.0
4	United Dominion Realty Lp	Apartment Bldg	4.9
5	Deerfield King Street Llc	Condominium	0.6

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$512,447	$702,645	$1,003,891	$1,146,543	$1,118,588
Unsecured	3,674	9,733	11,075	18,121	12,130
Total AV	$516,121	$712,378	$1,014,966	$1,164,664	$1,130,718
Annual Change in Total AV	– –	38.0%	42.5%	14.7%	-2.9%
CAGR (2005/06 - 2009/10)					21.7%
Less: Base Year AV	(28,574)	(26,404)	(26,404)	(26,404)	(26,404)
Incremental AV	$487,547	$685,974	$988,562	$1,138,260	$1,104,314
Incremental AV/Total AV	94%	96%	97%	98%	98%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, which is down 3.0% from the prior year, the Mission Bay North Project Area generates sufficient housing tax increment to cover MADS 1.25x. At this level, AV could decline by an additional 20% and there would still be sufficient housing tax increment to cover MADS 1.00x.

Footnote 1: Exposure and Outstanding Parity Debt noted above is for the Mission Bay North Project Area's TABs secured by its 20% housing set-aside only.

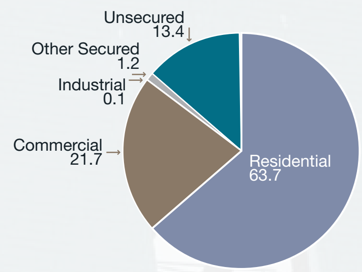
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (6 OF 10)
Rincon Point-South Beach Redevelopment Project Area

Base CUSIP	79771P
National Gross Exposure	$124.6mm
Number of Areas	1
Acreage	115
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$178.5mm
Final Maturity of Parity Debt	August 1, 2037
Final Date to Collect Tax Increment[1]	No Limit
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	China Basin Ballpark Company	Sports Facility	11.8%
2	Gap Inc	Office	11.0
3	Rincon Center	Office/Retail	8.1
4	Rincon EV Realty	Apartments	7.9
5	Bayside Village Associates	Apartments	6.6

LAND USE



% of Total AV

	(000)				
AV TRENDS	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$1,337,554	$1,484,065	$1,529,089	$1,547,913	$1,636,766
Unsecured	371,733	243,649	248,337	251,935	252,646
Total AV	$1,709,287	$1,727,714	$1,777,426	$1,799,848	$1,889,412
Annual Change in Total AV	– –	1.1%	2.9%	1.3%	5.0%
CAGR (2005/06 - 2009/10)					2.5%
Less: Base Year AV	(18,093)	(18,093)	(18,093)	(18,093)	(18,093)
Incremental AV	$1,691,194	$1,709,621	$1,759,333	$1,781,755	$1,871,319
Incremental AV/Total AV	99%	99%	99%	99%	99%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, the Rincon Point-South Beach Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.25x. At this level, AV could decline by 20% and there would still be sufficient net tax increment to cover MADS 1.00x.

Footnote 1: Rincon Point-South Beach Redevelopment Project Area's redevelopment plan was amended in 2007 to extend the time limit for the receipt of tax increment to repay debt and to suspend the limits on the amount of debt that may be outstanding at any time and on the receipt of tax increment for the purpose of financing low and moderate income housing.

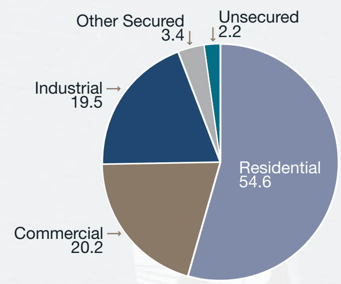
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (7 OF 10)
South of Market Redevelopment Project Area[1]

Base CUSIP	79771P
National Gross Exposure	$8.0mm
Number of Areas	2
Acreage	69
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$12.2mm
Final Maturity of Parity Debt	August 1, 2030
Final Date to Collect Tax Increment[2]	December 16, 2035
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	1045 Mission L P	Commercial/Residential	6.0%
2	AZ-SF Hotels LLC	Hotel	4.1
3	260 Fifth Street LLC	Industrial	1.8
4	Private Individual	Apartment	1.2
5	Hearst Corporation	Industrial/Vacant	1.1

LAND USE



% of Total AV

			(000)		
AV TRENDS[3]	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Secured	$362,526	$394,887	$418,593	$466,662	$507,308
Unsecured	15,536	9,076	13,931	31,732	11,279
Total AV	$378,062	$403,963	$432,524	$498,394	$518,587
Annual Change in Total AV	– –	6.9%	7.1%	15.2%	4.1%
CAGR (2005/06 - 2009/10)					8.2%
Less: Base Year AV	(108,585)	(108,585)	(108,585)	(117,946)	(117,946)
Incremental AV	$269,477	$295,378	$323,939	$380,448	$400,641
Incremental AV/Total AV	71%	73%	75%	76%	77%

DEBT SERVICE COVERAGE ANALYSIS[4]

Based on FY 2009/10, the South of Market Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover MADS 2.30x. At this level, AV could decline by 44% and there would still be sufficient net tax increment to cover MADS 1.00x.

Footnotes:

(1) Represents combined data from the areas that comprise the South of Market Redevelopment Project Area.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect.

(3) The Western Expansion Area was added to the South of Market Redevelopment Project Area beginning in FY2008/09.

(4) While two areas comprise the South of Market Redevelopment Project Area, it is sufficient to look at MADS coverage rather than ADS coverage since all parity debt matures by August 1, 2030. The Original Area is eligible to collect tax increment through June 11, 2030 and its tax increment would be available to cover the final maturity, along with tax increment from the Western Expansion Area, which is eligible to collect tax increment through December 16, 2035. Each area was reviewed independently to determine the amount of net tax increment it would generate to help ccver MADS.

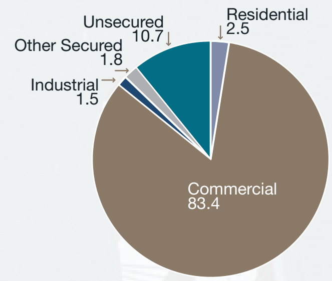
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (8 OF 10)
Transbay Redevelopment Project Area

Base CUSIP	79771P
National Gross Exposure	$5.9mm
Number of Areas	1
Acreage	40
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$13.5mm
Final Maturity of Parity Debt	August 1, 2039
Final Date to Collect Tax Increment	June 21, 2050
Teeter Plan	Yes

	TOP TAXPAYERS	Specific Land Use	% of Total AV
1	Mission Street Dev. LLC (301 Mission St)	Commercial/Office	23.5%
2	405 Howard LLC	Commercial/Office	13.1
3	GLL Fremont Street Partners (199 Fremont)	Commercial/Office	8.2
4	Resnick In San Francisco LLC (215 Fremont)	Commercial/Office	7.9
5	TST Mission Street LLC (555 Mission)	Commercial/Office	7.6

LAND USE



% of Total AV

AV TRENDS (000)	2005/06	2006/07	2007/08	2008/09	2009/10
Secured	$904,362	$934,843	$956,352	$1,557,303	$1,690,993
Unsecured	131,820	66,892	59,403	136,692	202,375
Total AV	$1,036,182	$1,001,735	$1,015,755	$1,693,995	$1,893,368
Annual Change in Total AV	– –	-3.3%	1.4%	66.8%	11.8%
CAGR (2005/06 - 2009/10)					16.3%
Less: Base Year AV	(880,853)	(880,853)	(880,853)	(880,853)	(880,853)
Incremental AV	$155,329	$120,882	$134,902	$813,142	$1,012,515
Incremental AV/Total AV	15%	12%	13%	48%	53%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, the Transbay Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover MADS 9.42x. At this level, AV could decline by 48% and there would still be sufficient net tax increment to cover MADS 1.00x.

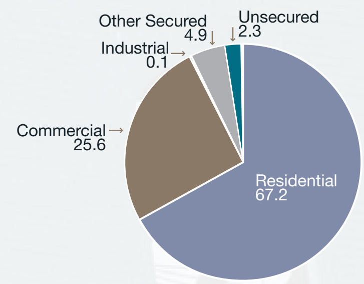
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (9 OF 10)
Western Addition Redevelopment Project Area A-2

Base CUSIP	79771P
National Gross Exposure	$43.5mm
Number of Areas	1
Acreage	277
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$96.9mm
Final Maturity of Parity Debt	August 1, 2039
Final Date to Collect Tax Increment[1]	No Limit[1]
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Fillmore Center	Apartments	12.7%
2	California Pacific Med Ctr (1101 Van Ness, 1255 Post)	Hotel and Office	5.0
3	1550 Sutter Associates (Assisted Living)	Assisted Living	1.5
4	United Bank (721 Van Ness)	Commercial	1.3
5	Wealth Prop Inc (1388 Sutter)	Commercial/Office	1.1

LAND USE



% of Total AV

AV TRENDS	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$1,386,774	$1,543,180	$1,750,097	$1,840,855	$1,876,862
Unsecured	48,478	50,828	43,242	37,696	43,584
Total AV	$1,435,252	$1,594,008	$1,793,339	$1,878,551	$1,920,446
Annual Change in Total AV	– –	11.1%	12.5%	4.8%	2.2%
CAGR (2005/06 - 2009/10)					7.6%
Less: Base Year AV	(61,240)	(61,240)	(61,240)	(61,240)	(61,240)
Incremental AV	$1,374,012	$1,532,768	$1,732,099	$1,817,311	$1,859,206
Incremental AV/Total AV	96%	96%	97%	97%	97%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV, the Western Addition Redevelopment Project Area A-2 generates sufficient net tax increment (including the housing set-aside) to cover MADS 1.25x. At this level, AV could decline by 24% and there would still be sufficient net tax increment to cover MADS 1.00x.

Footnote 1: Western Addition Redevelopment Project Area A-2's redevelopment plan was amended in 2008 to extend the time limit on the incurrence of debt until 1/1/2014 and on the repayment of debt until 1/1/2044. If the Agency's affordable housing obligation is not met by 1/1/2014, the time limit on both the incurrence and payment of debt will be suspended until the obligation is fulfilled.

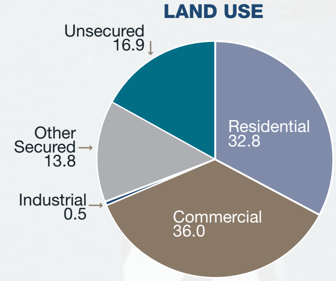
CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY (10 OF 10)
Yerba Buena Center Redevelopment Project Area[1]

Base CUSIP	79771P
National Gross Exposure	$128.0mm
Number of Areas	2
Acreage	87
County	San Francisco
Executive Director	Amy Lee

Total Parity Debt Outstanding	$218.7mm
Final Maturity of Parity Debt	August 1, 2039
Final Date to Collect Tax Increment[2]	October 13, 2045
Teeter Plan	Yes

TOP TAXPAYERS		Specific Land Use	% of Total AV
1	Emporium Mall LLC	Commercial-Retail	12.9%
2	Marriott Hotel	Hotel	12.1
3	W205 Argent Hotel Realty LLC	Hotel	5.2
4	Tishman Speyer (St Francis Place)	Office/Retail	5.1
5	Starwood San Francisco (W Hotel)	Hotel	4.4

LAND USE



% of Total AV

AV TRENDS[3]	2005/06	2006/07	2007/08 (000)	2008/09	2009/10
Secured	$1,744,025	$2,259,748	$2,525,789	$2,622,947	$2,895,694
Unsecured	574,371	575,048	594,721	621,938	587,171
Total AV	$2,318,396	$2,834,796	$3,120,510	$3,244,885	$3,482,865
Annual Change in Total AV	– –	22.3%	10.1%	4.0%	7.3%
CAGR (2006/07 - 2009/10)					7.1%
Less: Base Year AV[4]	(52,656)	(131,066)	(133,015)	(134,624)	(136,263)
Incremental AV	$2,265,740	$2,703,730	$2,987,495	$3,110,261	$3,346,602
Incremental AV/Total AV	98%	95%	96%	96%	96%

DEBT SERVICE COVERAGE ANALYSIS

Based on FY 2009/10 AV and accounting for the final collection dates, the Yerba Beuna Center Redevelopment Project Area generates sufficient net tax increment (including the housing set-aside) to cover ADS from a low of 1.26x to a high of 5.1x. At this level, AV could decline by 20% in each area and there would be sufficient net tax increment to cover ADS through final maturity.

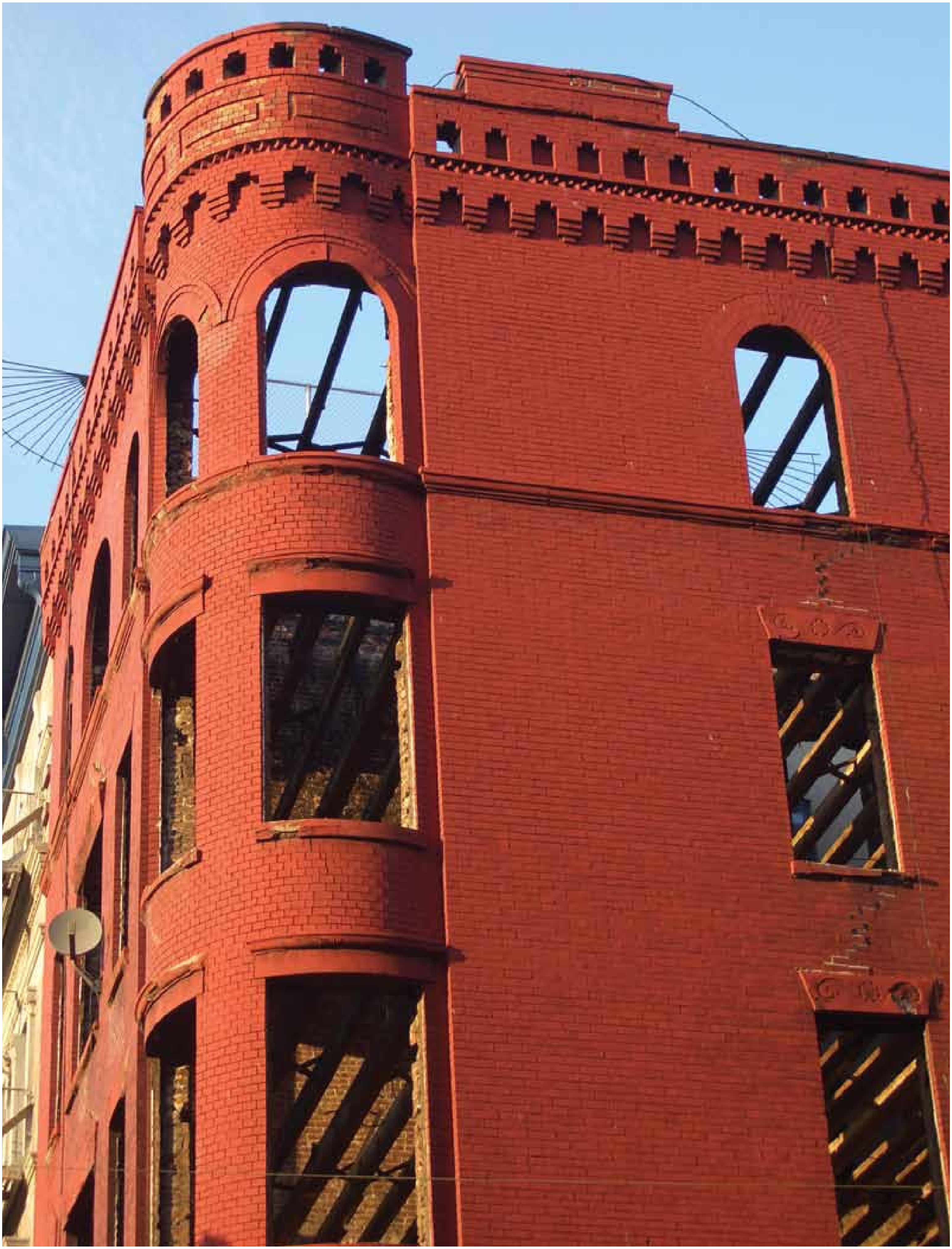
Footnotes:

(1) Represents combined data from the areas that comprise Yerba Buena Center Redevelopment Project Area.

(2) Final Date to Collect Tax Increment shown above is for the area with the longest time period to collect as of November 2009. On November 24, 2009, the Board of Supervisors adopted an ordinance which, if not vetoed by the Mayor, would extend the final increment collection date for the Original Area.

(3) The Emporium Site Area was added to this project area beginning in FY 2006/07.

(4) Secured Base Year Value increases by a maximum amount of 2% per year on the Base Year AV of the Westfield multi-use commercial development in the Emporium Site Area.



APPENDIX C

Appendix C provides a complete list of National's Tax Allocation Bond exposures in California.

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
1	Redevelopment Agency of the City of San Jose, Merged Area Redevelopment Project	798147	Santa Clara	**$1,148,404,000**
2	City and County of San Francisco Redevelopment Financing Authority (Redevelopment Projects)	79771P	San Francisco	**451,418,000**
3	Industry Urban-Development Agency, Civic-Recreational-Industrial Redevelopment Project No. 1	456567	Los Angeles	**237,245,000**
4	Rancho Cucamonga Redevelopment Agency, Rancho Redevelopment Project	752123	San Bernardino	**232,413,000**
5	Riverside County Public Financing Authority, Desert Communities, Interstate 215 Corridor, Jurupa Valley, Mid-County, and Project Area No. 1 Project Areas	76912T	Riverside	**192,655,000**
6	Milpitas Redevelopment Agency, Redevelopment Project Area No. 1	601643	Santa Clara	**174,180,000**
7	Sacramento City Public Financing Authority, Merged Downtown Sacramento, Del Paso Heights, and Oak Park Redevelopment Projects	785849	Sacramento	**168,740,000**
8	Poway Redevelopment Agency, Paguay Redevelopment Project	738800	San Diego	**163,915,000**
9	Riverside (City) Public Financing Authority, Casa Blanca, Hunter Park/Northside, Arlington, La Sierra/Arlanza, Magnolia Center, University Corridor/Sycamore Canyon, and Downtown/Airport Merged Redevelopment Projects	769044	Riverside	**152,185,000**
10	Community Development Commission of the City of Santa Fe Springs, Consolidated Redevelopment Project	80218M	Los Angeles	**126,614,000**
11	Palm Desert Financing Authority, Project Area No. 1, As Amended	696617	Riverside	**125,195,000**
12	Redevelopment Agency of the City of Oakland, Central District Redevelopment Project	672321	Alameda	**122,915,000**
13	Richmond Community Redevelopment Agency, Merged Project Areas	76443N	Contra Costa	**119,271,000**
14	Redevelopment Agency of the City of Pittsburg, Los Medanos Community Development Project	724568	Contra Costa	**108,450,000**
15	Lancaster Redevelopment Agency, Combined Redevelopment Project Areas	513799	Los Angeles	**95,220,000**
16	Emeryville Public Financing Authority, Emeryville Redevelopment, Shellmond Park Redevelopment and Housing Projects	291195	Alameda	**92,995,000**
17	Palm Desert Financing Authority (Housing Set-Aside)	696617	Riverside	**91,415,000**
18	Redevelopment Agency for the County of Riverside, Jurupa Valley Redevelopment Project Area	769123	Riverside	**86,470,000**
19	County of Contra Costa Public Financing Authority, Contra Costa Centre, North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas	212262	Contra Costa	**86,390,000**
20	County of Santa Cruz Redevelopment Agency, Live Oak/Soquel Community Improvement Project	801825	Santa Cruz	**84,810,000**
21	San Marcos Public Facilities Authority, Project Areas No. 1, No. 2 and No. 3	79875E	San Diego	**81,120,000**
22	The Community Redevelopment Agency of the City of Los Angeles, Hollywood Redevelopment Project	544389	Los Angeles	**78,555,000**
23	Pomona Public Financing Authority, Merged Redevelopment Project	73208T	Los Angeles	**75,885,000**
24	Rancho Mirage Redevelopment Agency, Redevelopment Plan -- 1984 Project	752131	Riverside	**71,696,000**

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
25	Community Development Agency of the City of Coronado, Coronado Community Development Project	219770	San Diego	**$69,690,000**
26	Ontario Redevelopment Financing Authority, Project No. 1, Center City and Cimarron Redevelopment Projects	68304E	San Bernardino	**67,287,000**
27	Community Development Commission of the City of Rohnert Park, Rohnert Park Redevelopment Project	77539H	Sonoma	**67,132,000**
28	Signal Hill Redevelopment Agency, Signal Hill Redevelopment Project No. 1	826642	Los Angeles	**66,785,000**
29	Redevelopment Agency of the City of South San Francisco, Merged Redevelopment Project	840036	San Mateo	**65,910,000**
30	Redevelopment Agency of the City of Corona, Redevelopment Project Area "A"	219703	Riverside	**65,450,000**
31	Norwalk Redevelopment Agency, Merged Project Area	668823	Los Angeles	**59,605,000**
32	Redevelopment Agency of the City of Santa Monica, Earthquake Recovery Redevelopment Project	802447	Los Angeles	**57,645,000**
33	Redevelopment Agency of the City of West Sacramento, West Sacramento Redevelopment Project	955648	Yolo	**56,680,000**
34	Murrieta Redevelopment Agency, Murrieta Redevelopment Project	62719M	Riverside	**52,660,000**
35	Carson Redevelopment Agency, Redevelopment Project Area No. 1	145750	Los Angeles	**51,066,000**
36	Paramount Redevelopment Agency, Redevelopment Project Area No. 1	699202	Los Angeles	**50,402,000**
37	Industry Urban-Development Agency, Transportation-Distribution-Industrial Redevelopment Project No. 3	456567	Los Angeles	**49,770,000**
38	Norco Redevelopment Agency, Norco Redevelopment Project Area No. One	655531	Riverside	**49,640,000**
39	Santa Ana Financing Authority, City of Santa Ana and South Harbor Boulevard/ Fairview Street Redevelopment Projects	801110	Orange	**48,648,000**
40	Redevelopment Agency of the City of Vernon, Industrial Redevelopment Project	924402	Los Angeles	**48,260,000**
41	Orange Redevelopment Agency, Tustin Street Redevelopment Project	684105	Orange	**46,265,000**
42	Industry Urban-Development Agency, Transportation-Distribution-Industrial Redevelopment Project No. 2	456567	Los Angeles	**45,710,000**
43	Redevelopment Agency of the City of Santa Clara, Bayshore North Project	801453	Santa Clara	**44,210,000**
44	Petaluma Community Development Commission, Petaluma Community Development Project	715895	Sonoma	**43,619,000**
45	Redevelopment Agency of the City of Temecula, Temecula Redevelopment Project No. 1	87970F	Riverside	**42,990,000**
46	Brea Public Financing Authority, Redevelopment Project AB	106282	Orange	**42,405,000**
47	Community Redevelopment Agency of the City of Santa Ana, Santa Ana South Main Street Redevelopment Project	801095	Orange	**40,780,000**
48	Palm Desert Financing Authority, Project Area No. 4	696617	Riverside	**40,739,000**
49	Rancho Mirage Redevelopment Agency, Whitewater Redevelopment Project	752131	Riverside	**39,649,000**
50	Fontana Redevelopment Agency, Sierra Corridor Commercial Redevelopment Project	344619	San Bernardino	**39,100,000**
51	Sacramento County Public Financing Authority, Sacramento County and City Redevelopment Projects	786129	Sacramento	**38,686,000**
52	Community Redevelopment Financing Authority of The Community Redevelopment Agency of the City of Los Angeles, Pooled Project Areas	54438E	Los Angeles	**36,735,000**

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
53	Community Redevelopment Agency of the City of Healdsburg, Sotoyome Community Development Project	422135	Sonoma	**$36,355,000**
54	Glendale Redevelopment Agency, Central Glendale Redevelopment Project	378452	Los Angeles	**36,305,000**
55	Yorba Linda Redevelopment Agency, Yorba Linda Redevelopment Project	986179	Orange	**34,703,000**
56	Fontana Redevelopment Agency, Southwest Industrial Park Project	344619	San Bernardino	**33,555,000**
57	The Community Redevelopment Agency for the City of Los Angeles, North Hollywood Redevelopment Project	544389	Los Angeles	**33,135,000**
58	Cathedral City Public Financing Authority, Cathedral City Merged Redevelopment Project (Housing)	14915Y	Riverside	**32,840,000**
59	Cathedral City Public Financing Authority, Cathedral City Merged Redevelopment Project (Non-Housing)	14915Y	Riverside	**32,701,000**
60	Redevelopment Agency of the City of Riverside, Merged Project Area	769045	Riverside	**32,685,000**
61	Redevelopment Agency of the City of Livermore, Livermore Redevelopment Project Area	53819T	Alameda	**32,625,000**
62	Redevelopment Agency of the County of Alameda, Eden Area Redevelopment Project	011113	Alameda	**32,565,000**
63	Redevelopment Agency of the City of El Centro, El Centro Redevelopment Project	282837	Imperial	**30,555,000**
64	Avalon Community Improvement Agency, Avalon Community Improvement Project	053413	Los Angeles	**30,350,000**
65	Rancho Mirage Redevelopment Agency	752131	Riverside	**30,315,000**
66	Palm Desert Financing Authority, Project Area No. 2	696617	Riverside	**29,684,000**
67	Redding Redevelopment Agency, Canby-Hilltop-Cypress Project Area	757293	Shasta	**29,150,000**
68	Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds, Lancaster Residential, Amargosa, Project No. 5, and Project No. 6 Redevelopment Projects	513799	Los Angeles	**27,345,000**
69	Community Redevelopment Agency of the City of Palmdale	696716	Los Angeles	**27,260,000**
70	Simi Valley Community Development Agency, Merged Tapo Canyon and West End Community Development Project	82863Q	Ventura	**27,060,000**
71	Carson Redevelopment Agency, Carson Merged and Amended Project Area	145750	Los Angeles	**26,665,000**
72	Community Development Agency of the City of Sonoma, Sonoma Redevelopment Project	835525	Sonoma	**26,005,000**
73	Redevelopment Agency of the City of Duarte, Merged Redevelopment Project Area	263590	Los Angeles	**25,725,000**
74	La Mirada Redevelopment Agency, La Mirada Merged Project Area	503687	Los Angeles	**25,529,000**
75	Lancaster Financing Authority Subordinate Tax Allocation Revenue Bonds Combined Project Areas	51378P	Los Angeles	**25,387,000**
76	Redevelopment Agency of the City of Ripon, Ripon Community Redevelopment Project	767495	San Joaquin	**25,040,000**
77	Hercules Redevelopment Agency, Hercules Merged Project Area	427101	Contra Costa	**24,945,000**
78	Chico Public Financing Authority, Chico Merged Redevelopment Project Area	168505	Butte	**24,715,000**
79	Community Redevelopment Agency of the City of Montebello, Montebello Hills Redevelopment Project	612280	Los Angeles	**23,950,000**
80	Mountain View Shoreline Regional Park Community	624410	Santa Clara	**23,400,000**

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
81	Ontario Redevelopment Financing Authority, Project No. 1, Center City and Cimarron Redevelopment Projects	68304E	San Bernardino	**$23,015,000**
82	Vacaville Public Financing Authority, Vacaville Community Redevelopment Project	918572	Solano	**22,680,000**
83	Redevelopment Agency of the City of Watsonville, Watsonville 2000 Redevelopment Project	942742	Santa Cruz	**22,530,000**
84	Irwindale Community Redevelopment Agency, City Industrial Redevelopment Project	464188	Los Angeles	**22,300,000**
85	Community Redevelopment Agency of the City of Buena Park, Consolidated Redevelopment Project	119147	Orange	**22.125,000**
86	San Ramon Public Financing Authority	799385	Contra Costa	**21,820,000**
87	Santee Public Financing Authority, Redevelopment Refinancing and City Hall Financing Project	802841	San Diego	**21,255,000**
88	Colton Public Financing Authority, Redevelopment Agency of the City of Colton	196904	San Bernardino	**21,250,000**
89	Redevelopment Agency of the City of Riverside, Housing Set-Aside	769045	Riverside	**21,215,000**
90	Redevelopment Agency of the City of Redlands, Redlands Redevelopment Project	757593	San Bernardino	**20,795,000**
91	Culver City Redevelopment Agency, Culver City Redevelopment Project	230337	Los Angeles	**20,675,000**
92	Orange County Development Agency, Neighborhood Development and Preservation Project	684246	Orange	**20,305,000**
93	Clovis Public Financing Authority	18933P	Fresno	**18,570,000**
94	Richmond Redevelopment Agency, Harbour Redevelopment Project	764472	Contra Costa	**18,049,000**
95	Dinuba Redevelopment Agency, Merged City of Dinuba Redevelopment Project and Dinuba Redevelopment Project Area No. 2, as Amended	254482	Tulare	**17,730,000**
96	Glendora Public Financing Authority, Project No. One	378616	Los Angeles	**17,390,000**
97	City of Clearlake Public Financing Authority, Redevelopment Agency of the City of Clearlake--Highlands Park Community Development Project	185033	Lake	**16,865,000**
98	San Rafael Redevelopment Agency, Central San Rafael Redevelopment Project	799330	Marin	**16,585,000**
99	San Marcos Public Facilities Authority, Project Area No. 3--San Marcos Unified School District	79875F	San Diego	**16,580,000**
100	Palmdale Civic Authority, Redevelopment Project No. 1	69671M	Los Angeles	**16,442,000**
101	Palm Desert Financing Authority, Project Area No. 3	696617	Riverside	**16,379,000**
102	Arcadia Redevelopment Agency, Central Redevelopment Project	039065	Los Angeles	**15,860,000**
103	Pinole Redevelopment Agency, Pinole Vista Redevelopment Project	723509	Contra Costa	**15,830,000**
104	Redevelopment Agency of the City of Seaside, Merged Project Area	812486	Monterey	**15,560,000**
105	Eureka Public Financing Authority, Eureka Redevelopment Projects	298517	Humboldt	**15,250,000**
106	Whittier Redevelopment Agency, Housing Projects	966775	Los Angeles	**15,085,000**
107	Redevelopment Agency of the City of Torrance, Torrance Industrial Redevelopment Project	891379	Los Angeles	**15,075,000**
108	Placer County Redevelopment Agency, North Lake Tahoe Redevelopment Project	72601R	Placer	**14,925,000**
109	Walnut Public Financing Authority, Walnut Improvement Project	932660	Los Angeles	**14,259,000**
110	Community Development Commission of the City of Vista, Vista Redevelopment Project Area	92830T	San Diego	**14,255,000**

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
111	Ceres Redevelopment Agency, Ceres Redevelopment Project Area No. 1	156748	Stanislaus	**$14,085,000**
112	Redevelopment Agency of the City of West Covina, Housing Set-Aside	952369	Los Angeles	**13,190,000**
113	Redevelopment Agency of the City of San Pablo, Tenth Township Redevelopment Project	799145	Contra Costa	**12,893,000**
114	Redevelopment Agency of the City of Roseville, Roseville Redevelopment Project	777864	Placer	**12,590,000**
115	Lemoore Redevelopment Agency, Lemoore Redevelopment Project	525720	Kings	**12,370,000**
116	Redevelopment Agency of the City of San Diego, Centre City Redevelopment Project	797300	San Diego	**11,980,000**
117	Fountain Valley Agency for Community Development, Industrial Area Redevelopment Project	350771	Orange	**11,510,000**
118	Capitol Area Redevelopment Authority	14055R	Sacramento	**11,275,000**
119	Community Development Agency of the City of Hawthorne, Project Area No. 2	420510	Los Angeles	**11,085,000**
120	Tustin Community Redevelopment Agency, Town Center Area Redevelopment Project	901048	Orange	**10,870,000**
121	Redevelopment Agency of the City of Parlier, Parlier Redevelopment Project	701636	Fresno	**10,295,000**
122	Carlsbad Housing and Redevelopment Commission, Village Redevelopment Project Area	142576	San Diego	**10,250,000**
123	Loma Linda Redevelopment Agency, Loma Linda Redevelopment Project	541904	Los Angeles	**9,825,000**
124	La Quinta Redevelopment Agency, La Quinta Redevelopment Project, Project Area No. 1	504194	Riverside	**9,587,000**
125	City of Montclair Redevelopment Agency, Montclair Redevelopment Project No. V	612201	San Bernardino	**9,350,000**
126	City of Arcata Joint Powers Financing Authority, Community Development Project Loan	039309	Humboldt	**9,145,000**
127	Redevelopment Agency of the City of Azusa, Merged Project Area	055031	Los Angeles	**9,023,000**
128	Community Redevelopment Agency of the City of Montebello, South Montebello Industrial Redevelopment Project	612280	Los Angeles	**8,705,000**
129	Redevelopment Agency of the City of Davis, Davis Redevelopment Project	238862	Yolo	**8,475,000**
130	Perris Public Financing Authority	71437R	Riverside	**8,430,000**
131	Millbrae Redevelopment Agency, Millbrae Redevelopment Project	600126	San Mateo	**8,165,000**
132	Fontana Redevelopment Agency, Downtown Redevelopment Project	344619	San Bernardino	**8,095,000**
133	Community Development Commission of the City of Downey, Downey Redevelopment Project	260883	Los Angeles	**7,675,000**
134	Cotati Community Redevelopment Agency, Cotati Redevelopment Project	22161M	Sonoma	**6,695,000**
135	Soledad Redevelopment Agency, Soledad Redevelopment Project	834195	Monterey	**6,520,000**
136	Arroyo Grande Redevelopment Agency, Arroyo Grande Redevelopment Project Area	042822	San Luis Obispo	**6,265,000**
137	Gaudalupe Redevelopment Agency, Guadalupe Redevelopment Project	400577	Santa Barbara	**5,985,000**
138	Placer County Redevelopment Agency, Housing Projects (Multiple Project Areas)	726013	Placer	**5,625,000**
139	El Cerrito Redevelopment Agency, El Cerrito Redevelopment Project Area	282862	Contra Costa	**5,303,000**
140	Suisun City Public Financing Authority, Suisun City Redevelopment Project	865059	Solano	**4,877,000**

EXPOSURE RANK	LEGAL NAME	BASE CUSIP	COUNTY	GROSS EXPOSURE
141	Palmdale Civic Authority (Civic Center Refinancing) (Project Area No. 1 and Merged Project Area)	69671M	Los Angeles	**$4,745,000**
142	Covina Public Financing Authority, Covina Redevelopment Projects	223050	Los Angeles	**3,795,000**
143	Community Redevelopment Agency of the City of Visalia, East Visalia Redevelopment Project	92827T	Tulare	**3,760,000**
144	Baldwin Park Financing Authority, San Gabriel River Redevelopment Project	058214	Los Angeles	**3,555,000**
145	Redevelopment Agency of the City of El Paso De Robles, Paso Robles Redevelopment Project Area	283668	San Luis Obispo	**3,405,000**
146	Redevelopment Agency of the City of Coalinga, Coalinga Redevelopment Project	190218	Fresno	**3,355,000**
147	Placer County Redevelopment Agency, North Auburn Redevelopment Project	72601R	Placer	**3,320,000**
148	Sierra Madre Financing Authority	82639P	Los Angeles	**3,085,000**
149	Reedley Redevelopment Agency, Reedley Redevelopment Project	758327	Fresno	**2,695,000**
150	Redevelopment of the Town of Windsor, Windsor Redevelopment Project	973509	Sonoma	**2,400,000**
151	Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside	67232P	Alameda	**2,225,000**
152	Belmont Redevelopment Agency, Los Costanos Development Project Area	080180	San Mateo	**1,685,000**
153	The Community Redevelopment Agency for the City of Los Angeles, Exposition/University Redevelopment Park Project	544389	Los Angeles	**1,550,000**
154	San Juan Capistrano Community Redevelopment Agency, San Juan Capistrano Central Redevelopment Project	798343	Orange	**1,035,000**
155	Indio Public Financing Authority	455717	Riverside	**710,000**
156	Redevelopment Agency of the City of Riverside, Casa Blanca Redevelopment Project	769045	Riverside	**500,000**
157	Ontario Redevelopment Financing Authority, Project No. 1, Center City and Cimarron Redevelopment Projects	68304E	San Bernardino	**184,000**

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