

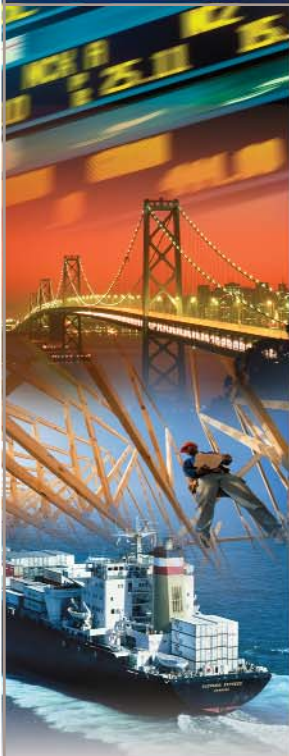


Ambac Guarantee Helps San Diego Agency Access Financing

Financial Uncertainty Surrounding San Diego's Municipal Credit an Obstacle

\$109,985,000

San Diego CA Redevelopment Agency
Tax Allocation Bonds



Since 1975, the Redevelopment Agency of the City of San Diego has facilitated the development of housing, improved commercial districts and fostered development of tourism and cultural attractions for the city. Yet, when San Diego experienced a fiscal crisis, the agency wanted to issue bonds to generate continued growth. With no audited financial statements from the city since 2002, the rating agencies had either withdrawn their ratings for the city and all component units or reduced them drastically. These actions unsettled investors, effectively blocking the city's access, as well as hampering the agency's access, to the capital markets.

In spite of these fiscal concerns, economic development in downtown San Diego continued at a healthy clip, thanks in large part to the efforts of the City's Redevelopment Agency (Centre City Development Corporation). However, the agency had pressing needs to move ahead with projects irrespective of the city's inability to access to the capital markets.

Early in 2006, the agency decided to overcome the obstacle of market perception by assuring investors that the agency's credit itself was not affected by the city's current uncertainty. Strengthening a bond issue with a triple-A guarantee from Ambac would enable the agency to move ahead with financing plans.

Ambac worked closely with the agency and bond counsel to determine that the agency's revenue stream was sufficiently insulated from the city's finances. This conclusion, combined with the agency's great track record of successful projects and the area's growing tax base, resulted in Ambac's approval to guarantee the bonds.

The \$110 million Centre City Redevelopment Project financing includes \$75 million of tax allocation bonds and \$35 million of housing set-aside bonds. Even though uncertainty still surrounds the city of San Diego's financial condition, Ambac's guarantee enabled the Redevelopment Agency to successfully sell the bonds in June 2006.

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