



AGENDA REPORT

Meeting Date: November 5, 2009
Item Number: D-1
To: Honorable Mayor & City Council
From: Scott G. Miller, Director of Administrative Services/CFO
Noel Marquis, Assistant Director of Administrative Services - Finance
Subject: **RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING A RELATED ACTIONS IN CONNECTION WITH FINANCING A PUBLIC CAPITAL IMPROVEMENT**
Attachments:

1. Resolution
2. Bond Documents

RECOMMENDATION

Staff recommends that the City Council of the City of Beverly Hills approve, authorize and execute certain bond (financing) documents and direct related actions in connection with financing and refinancing certain improvement in an amount not-to-exceed \$87,000,000.

INTRODUCTION

As discussed with the City Council at the February 8, 2008 Study Session the City's financial policies suggest that long-term financing be considered for one-time large capital projects for both governmental funds and the City's proprietary enterprise funds. After careful analysis, staff is recommending moving forward with Phase III of the proposed capital projects program which includes replacement of several water storage tanks owned by the City's Water Enterprise Fund that have reached end of life and require replacement. In addition, the City once again has an opportunity to refund portions of two earlier debt issues at much lower interest rates that would save the City substantial costs over the remaining lives of those issues.

DISCUSSION

The City has been under an ambitious capital revitalization and improvement effort for the last several years. Phase I of this plan began in fiscal year 2006/2007 with the issue

of the Lease Revenue and Water Revenue bonds. Phase II of the program included three bond issues that provide the funding for the buyout of the Water Treatment Plant, refunding 1998 Water and Wastewater debt issues, construction of a new parking structure and a commercial real estate loan that provided the funding for the 331 Foothill office building currently nearing the completion.

Since then, a number of additional major capital projects identified as Phase III have been conceptually developed and were listed in the FY 2009/2010 Capital Improvement Budget. As indicated at the City Budget Hearings in May and June, 2009 some of these projects will require debt financing to be constructed and/or implemented. Presently, staff is seeking City Council approval to issue debt that will provide the funding for the replacement of four Water Enterprise Fund Water Storage Tanks that have reached the end of their service lives. Further, as a result of the current economic conditions the City has the opportunity to refund and defease in full the outstanding bonds of the Authority captioned "Lease Revenue Bonds, 1999 Refunding Series A," refund and defease in full the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2001 Refunding Series A," thereby realizing a substantial economic savings.

The following actions are necessary to approve the bond financings contemplated;

- For the purpose of raising funds necessary to finance a public capital improvement of the City and to refund all or portion of the Authority's outstanding Lease Revenue Bonds, 1999 Refunding Series A and all or a portion of the Authority's Lease Revenue Bonds, 2001 Refunding Series A (collectively, the "Prior Bonds"), the Authority proposes to authorize the issuance of its revenue bonds in one or more series under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), to be designated as the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "Bonds"); and,
- Pursuant to a Site and Facility Lease (the "Site Lease"), the City will lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and, together with the Site, the "Leased Property"), initially consisting of the City's Police Department Headquarters, the City's Fire Department Headquarters and the City Hall parking lot; and,
- Pursuant to a Property Lease between the City and the Authority (the "Property Lease"), the City will lease the Leased Property from the Authority, and the Authority will use the lease payments received from the City under the Property Lease to pay debt service on the Bonds
- Hold a duly noticed public hearing with respect to the approval by the City Council of the above described lease financing to be provided by the Authority to the City pursuant to the issuance and delivery of the bonds, and with respect to the significant public benefit to the City of such lease financing in accordance with the criteria specified in Section 6586 of the California Government Code. Based on the information provided to the City Council by City Staff and consultants, all as set forth in the proceedings and documents providing for the issuance and delivery of the Bonds, the City Council must approve the lease financing to be provided by the issuance and delivery of the Bonds, and the City Council further must determine that there will be significant public benefits

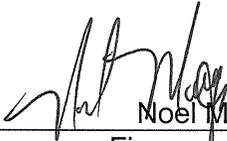
Meeting Date: November 5, 2009

accruing from such financing, consisting of demonstrable savings in effective interest rates and financing costs resulting from the lease and leaseback of the Leased Property with the Authority as a tax-exempt public entity that has the statutory powers to lease and leaseback property and to cause the issuance and delivery of the Bonds.

Adoption of the proposed resolutions by the City Council of the City of Beverly Hills will authorize and approve the documents listed in each resolution.

FISCAL IMPACT

This bond financing has been included within the City's long range financial planning and budget process. Savings from the refinancing of the 1999 and 2001 debt are estimated to save the City between \$5 and \$7 million depending on the final interest costs on the day of the new bond issue.



Noel Marquis
Finance Approval



Scott G. Miller, PHD
Approved By

Attachment 1

Resolution

RESOLUTION NO. 09-R-__

**RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING,
AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING
DOCUMENTS AND DIRECTING A RELATED ACTIONS IN CONNECTION
WITH FINANCING A PUBLIC CAPITAL IMPROVEMENT**

WHEREAS, the City of Beverly Hills (the "City") and the Parking Authority of the City of Beverly Hills have entered into a Joint Exercise of Powers Agreement establishing the City of Beverly Hills Public Financing Authority (the "Authority") for the purpose, among others, of having the Authority issue its bonds to be used to finance the acquisition, construction and improvement of certain public capital improvements; and

WHEREAS, for the purpose of raising funds necessary to finance a public capital improvement of the City and to refund all or portion of the Authority's outstanding Lease Revenue Bonds, 1999 Refunding Series A and all or a portion of the Authority's Lease Revenue Bonds, 2001 Refunding Series A (collectively, the "Prior Bonds"), the Authority proposes to authorize the issuance of its revenue bonds in one or more series under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), to be designated as the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "Bonds"); and

WHEREAS, pursuant to a Site and Facility Lease (the "Site Lease"), the City will lease to the Authority certain real property (the "Site") and the improvements thereon (the "Facilities" and, together with the Site, the "Leased Property"), initially consisting of the City's Police Department Headquarters, the City's Fire Department Headquarters and the City Hall parking lot; and

WHEREAS, pursuant to a Property Lease between the City and the Authority (the "Property Lease"), the City will lease the Leased Property from the Authority, and the Authority will use the lease payments received from the City under the Property Lease to pay debt service on the Bonds; and

WHEREAS, the proceeds of the Bonds will be used by the City to acquire, construct and install water tanks (the "Improvement") and to refund a portion of the Prior Bonds; and

WHEREAS, in order to assist E. J. De La Rosa & Co., Inc. (the "Underwriter"), as the underwriters of the Bonds, in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will undertake certain continuing disclosure obligations pursuant to a continuing disclosure certificate to be executed by the City (the "Continuing Disclosure Certificate"); and

WHEREAS, there has been prepared a Preliminary Official Statement containing information to be used in connection with the sale of the Bonds; and

WHEREAS, as a condition precedent to the issuance of the Bonds, Section 6586.5 of the California Government Code requires that the City approve the proposed lease financing by the Authority and that the City make certain findings with respect to such financing, as

hereinafter set forth, and said Section 6586.5 further requires that such approval be given and findings be made only after noticed public hearing thereon; and

WHEREAS, the City has duly held such public hearing after due publication of the notice of time and place of such public hearing; and

WHEREAS, the City has duly considered such transactions and wishes at this time to approve certain matters relating to said transactions in the public interest of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Beverly Hills, as follows:

Section 1. Pursuant to the Act, the City Council hereby finds and determines that the issuance of the Bonds and the transactions related thereto, including the financing of the Improvement, will result in significant public benefits within the contemplation of Section 6586 of the Act.

Section 2. The City Council hereby approves the preparation of, and hereby authorizes the City Manager and the Director of Administrative Services and Chief Financial Officer of the City, or the written designee of any of them (each, a "Designated Officer"), each acting alone, to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (except for permitted omissions), the preliminary form of the Official Statement describing the Bonds (the "Preliminary Official Statement") describing the Bonds on file with the City Clerk, together with such changes or additions as the Designated Officer may deem necessary, desirable or appropriate upon consultation with bond counsel. Distribution of the Preliminary Official Statement by the Underwriter is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final form of the Official Statement with such changes or additions as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel, and the execution of the final Official Statement by the City shall be conclusive evidence of the approval of any such additions and changes. The City Council hereby authorizes the distribution of the final Official Statement.

Section 3. The City Council hereby approves the forms of the Property Lease and the Site Lease on file with the City Clerk, with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with the bond counsel, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers and all other appropriate officials of the City are hereby authorized and directed to execute, and the City Clerk is hereby authorized to attest, as appropriate, the Property Lease and the Site Lease and such other agreements, documents and certificates as may be necessary or desirable to effectuate the purposes of this resolution and the financing herein authorized, including, without limitation, such other agreements, documents and certificates as may be required by the Property Lease and the Site Lease. The City Council hereby authorizes the performance by the City of its obligations under the Property Lease and the Site Lease. The maximum stated term of the Property Lease and the Site Lease shall not exceed 45 years.

Section 4. The City Council hereby approves the Continuing Disclosure Certificate in the form on file with the City Clerk, together with such changes thereto as the Designated Officers deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive proof of the approval thereof. The Designated Officers, each acting alone, are

hereby authorized and directed to execute the Continuing Disclosure Certificate, with such changes, insertions and omissions as may be approved by such official executing the Continuing Disclosure Certificate.

Section 5. The City Council hereby approves the form of the Bond Purchase Agreement on file with the City Clerk, with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel, the execution of which by the City shall be conclusive evidence of the approval of any such additions or changes. The foregoing authorization is expressly conditioned upon the satisfaction of the following parameters with respect to the Bonds: (i) the combined aggregate principal amount of Bonds may not exceed \$87,000,000, (ii) net interest cost of the Bonds may not exceed 6.00%, (iii) the underwriter's discount (exclusive of any original issue discount) payable with respect to the Bonds may not exceed 1.00%, and (iv) the refunding of the Prior Bonds must produce present value debt service savings, based on a comparison of the debt service on the Prior Bonds against debt service payable on the portion of the Bonds allocable to the refunding, of at least 3%.

Section 6. The City Council has duly noticed and held a public hearing with respect to the approval by the City Council of the lease financing to be provided by the Authority to the City pursuant to the issuance and delivery of the Bonds, and with respect to the significant public benefit to the City of such lease financing in accordance with the criteria specified in Section 6586 of the California Government Code. Based on the information provided to the City Council by City staff and consultants, all as set forth in the proceedings and documents providing for the issuance and delivery of the Bonds, the City Council approves the lease financing to be provided by the issuance and delivery of the Bonds, and the City Council further determines that there will be significant public benefits accruing from such financing, consisting of demonstrable savings in effective interest rates and financing costs resulting from the lease and leaseback of the Leased Property with the Authority as a tax-exempt public entity that has the statutory powers to lease and leaseback property and to cause the issuance and delivery of Bonds.

Section 7. The Designated Officers, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, including amendments to the leases relating to the Prior Bonds to release all or a portion of the property leased thereby, notices, consents, instruments of conveyance, warrants and documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, including, without limitation, a continuing disclosure agreement or certificate and such documents, assignments, certificates and agreements as may be required by any of the documents approved herein. The Designated Officers, the Secretary and any and all other officers of the City are also hereby authorized and directed, for and in the name of and on behalf of the City, and without any further action by this City Council, to do any and all things and take any and all actions, including execution and delivery of any and all documents, assignments, certificates, requisitions, agreements, and amendments to the Property Lease and the Site Lease in order to substitute or release all or a portion of the property leased thereby.

Adopted and approved this 5th day of November, 2009.

Nancy Krasne, Mayor

ATTEST:

Byron Pope, City Clerk

Approved as to form:

Scott Ferguson
Jones Hall, APLC
Bond Counsel

Approved as to content:

Roderick J. Wood, City Manager



Scott Miller, Director of Administrative
Services and Chief Financial Officer

Attachment 2

Bond Documents



650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

October 27, 2009

Members of the City Council
City of Beverly Hills

Members of the Board of Directors
City of Beverly Hills Public Financing Authority

Re: City of Beverly Hills Public Financing Authority
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

Ladies and Gentlemen:

In connection with proposed issuance, sale and delivery of the bonds captioned above (the "Bonds") by the City of Beverly Hills Public Financing Authority, an Official Statement and other documents will be presented to your body, in its capacity both as City Council and as the Board of Directors of the Authority, for your consideration and approval.

The purpose of the Bonds is to (i) refinance the Authority's outstanding lease revenue bonds that were issued in 1999 to refund certain prior obligations of the City and to finance capital improvements of the City, (ii) refinance the Authority's outstanding lease revenue bonds that were issued in 2001 to refund certain prior obligations of the City and to finance capital improvements of the City, and (iii) to provide funds for the acquisition, construction and installation of four water tanks to be located in the City. These Bonds, like the bonds issued in 1999 and 2001, will bear interest at a fixed rate.

The Official Statement for the Bonds is the most important document for the members of the Council to review. The Official Statement discloses information with respect to, among other things,

- (i) the estimated sources and uses of funds relating to the Bonds,
- (ii) the purposes for which the proceeds of the Bonds will be used,
- (iii) the terms relating to the Bonds (interest rate modes, redemption terms, etc.),
- (iv) the security for repayment of the Bonds (the lease payments to be paid by the City to the Authority, which will be payable from the general fund of the City), and
- (v) information regarding the City's finances.

The members of the City's financing team have participated in the preparation and review of the Official Statement and the other documents and provided their input and comments, where applicable, in order that the documents comply with applicable securities laws requirements. The securities laws require that a Official Statement (i) not contain any misleading information and (ii) not omit any material information. While it is important that the City's staff members and the financing team have assisted in



the preparation and review of the Official Statement, the Official Statement is the City's document, and ultimate responsibility for the Official Statements rests with the City Council and the Authority Board.

The Securities and Exchange Commission has emphasized the obligations of public officials to review the Official Statements prepared for their bond issues. In a written report following the Orange County bankruptcy, the SEC stated in a report that "public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading." While the members of the financing team have discussed a range of topics relating to this financing, there is the possibility that, as elected officials, you might be aware of something, or have a different perspective on something, that should be considered and disclosed in the Official Statement.

Some of the questions members of the City Council should ask themselves in reviewing the Official Statement include:

1. Is there information about the City or its financial condition that is not disclosed in the Official Statement but would be important for an investor to know before purchasing the Bonds?
2. Is there any pending or threatened litigation against the City that could have a negative impact on its finances?
3. Are there any circumstances that exist or that are now unfolding that could place a demand on the finances of the City, or create budget difficulties for the City, that are not described in the Official Statement and that should be included before the Official Statement is finalized?

Since you have a different perspective and knowledge base than members of the financing team, it is important that you review the Official Statement and that your input and questions be considered in finalizing the documents. The City's staff and the financing team are available to review and respond to questions and comments you may have with respect to information included in the Official Statement. Please note that the proposed resolutions approving the Official Statement delegate authority to the City staff to make changes to the Official Statement following approval by your Council but before the Official Statement is printed and distributed to investors.

If you have any questions or suggestions, please do not hesitate to contact me at 415-391-5780.

Respectfully submitted,

/s/ Scott R. Ferguson
JONES HALL,
A Professional Law Corporation

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

BOND PURCHASE CONTRACT

_____, 2009

City of Beverly Hills Public Financing Authority
 455 N. Rexford Drive, Room 250
 Beverly Hills, California 90210

City of Beverly Hills
 455 N. Rexford Drive, Room 250
 Beverly Hills, California 90210

Ladies and Gentlemen:

E. J. De La Rosa & Co., Inc. (the "Underwriter") offers to enter into this Bond Purchase Contract (this "Purchase Contract") with the City of Beverly Hills Public Financing Authority (the "Authority") and the City of Beverly Hills (the "City"). This offer is made subject to the Authority's and the City's acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m. on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to such acceptance. Upon the Authority's and the City's acceptance hereof, the Purchase Contract will be binding upon the Authority, the City and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Indenture (defined below).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the bonds captioned above (the "Bonds") at a purchase price of \$ _____ (being an amount equal to the principal amount of the Bonds (\$ _____), less an original issue discount of \$ _____, and less an underwriter's discount of \$ _____.) The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the Authority to the Underwriter at Closing.

Section 2. Bond Terms; Authorizing Instruments. (a) The Bonds shall be dated their date of delivery and shall mature and bear interest as shown on Exhibit A attached hereto. The

Bonds shall be as described in, and shall be issued and secured under, an Indenture (the "Indenture"), dated as of November 1, 2009, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are payable and subject to prepayment as provided in the Indenture and as described in the Official Statement.

(b) The Bonds will be issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 and are payable from and secured by the Authority's pledge of "Revenues" under and as defined in the Indenture, consisting primarily of "Base Rental Payments" made by the City under the Property Lease, dated as of November 1, 2009, between the Authority, as lessor, and the City, as lessee (the "Property Lease").

(c) The City and the Authority will enter into a Site and Facility Lease dated as of November 1, 2009 (the "Site Lease"). Under the Site Lease, the City (as owner of the Site) will lease the Site to the Authority. Concurrently, the City and the Authority will enter into the Property Lease, under which the Authority will lease the Site back to the City for the purpose of financing the Improvements.

(d) A portion of the proceeds of the Bonds will be used to refund and defease certain of the Authority's outstanding lease revenue bonds under an Escrow Agreement dated as of November 1, 2009 (the "Escrow Agreement") by and between the Authority and U.S. Bank National Association, as Escrow Trustee.

Section 3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A attached hereto. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter.

Section 4. Official Statement; Continuing Disclosure. (a) The Authority has delivered to the Underwriter the Preliminary Official Statement dated _____, 2009 (the "Preliminary Official Statement") and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the "Official Statement").

(b) The Authority hereby authorizes the use of the Official Statement and the information contained therein by the Underwriter in connection with the public offering and the sale of the Bonds. The Authority consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Underwriter hereby agrees that they will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to: (1) provide the Authority with final pricing information on the Bonds on a timely basis prior to the Closing and (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the City, on behalf of itself and the Authority, will execute a continuing disclosure

certificate countersigned by Union Bank of California, N.A., as dissemination agent (the "Continuing Disclosure Certificate"), under which the City will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Certificate will be attached as an appendix to the Preliminary Official Statement and Final Official Statement.

Section 5. Representations, Warranties and Covenants of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter that:

(a) The Board (the "Board") of the Authority has taken official action by resolution (the "Authority Resolution") adopted by a majority of the members of the Board at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Indenture, the Property Lease, the Site Lease, the Escrow Agreement and this Purchase Contract (collectively, the "Authority Agreements") and the Official Statement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the Authority Resolution, to enter into and perform its duties under the Authority Agreements and, when executed and delivered by the respective parties thereto, the Authority Agreements will each constitute legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms.

(c) By all necessary official action, the Authority has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements, and the consummation by it of all other transactions contemplated by the Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the Authority's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the

creation, organization, existence or powers of the Authority, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of Authority Agreements or the Bonds, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the Authority is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of this Purchase Contract or the consummation by the Authority of the other transactions contemplated by the Official Statement or the Authority Agreements.

(g) Any certificate signed by any official of the Authority authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the Authority is not in default, and at no time has the Authority defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) (1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Authority since June 30, 2009 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(2) If any event occurs of which the Authority has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the Authority, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with a nationally recognized securities information repository.

(3) After the Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel. If any event relating to or affecting the Authority occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will use its best efforts to assist the Underwriter in preparing (at the expense of the Authority

for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement, the Authority has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12.

Section 6. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and agrees with the Underwriter that:

(a) The city council (the "City Council") of the City has taken official action by Resolution (the "City Resolution") adopted by a majority of the members of the City Council at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Property Lease, the Site Lease, the Continuing Disclosure Certificate and this Purchase Contract (collectively, the "City Agreements") and the Official Statement and the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated hereby.

(b) The City is a municipal corporation duly organized and existing under the laws of the State of California (the "State") and has all necessary power and authority to adopt the City Resolution, to enter into and perform its duties under the City Agreements and, when executed and delivered by the respective parties thereto, the City Agreements will each constitute legal, valid and binding obligation of the City enforceable in accordance with its respective terms.

(c) By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by their respective parties, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the City's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact

required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of this Purchase Contract or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(g) Any certificate signed by any official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) (1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City since June 30, 2009 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(2) If any event occurs of which the City has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter and, if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter. All expenses thereby incurred will be paid by the City, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with a nationally recognized securities information repository.

(3) After the Closing, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel. If any event relating to or affecting the City occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of

the circumstances existing at the time it is delivered to a purchaser, the City will use its best efforts to assist the Underwriter in preparing (at the expense of the City for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, the City has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12.

Section 7. The Closing. (a) At 8:00 A.M., San Francisco time, on _____, 2009, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Authority and the City (the "Closing"), the Authority shall deliver or cause to be delivered to the Underwriter, at a location or locations to be designated by the Underwriter in New York, New York, the duly executed Bonds (delivered through the book-entry system of The Depository Trust Company). Prior to the Closing, the Authority shall deliver, at the offices of Bond Counsel in San Francisco, California, or such other place as are mutually agreed upon by the Underwriter and the Authority, the other documents described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of The Depository Trust Company, New York, New York ("DTC"). It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

Section 8. Conditions to Underwriter's Obligations. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) The representations and warranties of the Authority and the City contained in this Agreement shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing;

(b) As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter;

(c) (i) As of the date of the Closing, the Authority Resolution, the City Resolution, the Authority Agreements and the City Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the City and Underwriter, (ii) the Authority shall perform or have performed all of its obligations required under or specified in the Authority Resolution, the Authority Agreements and this Purchase Contract to be performed at or prior to the date of the Closing; and (iii) the City shall perform or have performed all of its obligations required under or specified in the City Resolution, the City Agreements and this Purchase Contract to be performed at or prior to the date of the Closing;

(d) As of the date of the Closing, all necessary official action of the Authority relating to the Authority Agreements, the Authority Resolution and the Official Statement, and all necessary official action of the City relating to the City Agreements, the City Resolution, and the Official Statement, shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(e) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in or particularly affecting the Authority, the City, or the City's finances, as these matters are described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds;

(f) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

(1) Certified copies of the Authority Resolution and the City Resolution.

(2) Duly executed copies of the Indenture, the Property Lease, the Site Lease, the Escrow Agreement, the Continuing Disclosure Certificate and this Purchase Contract.

(3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

(4) An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal gross income and State income taxation, addressed to the Authority and the City substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter.

(5) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:

(i) The Purchase Contract has been duly executed and delivered by the Authority and the City and is valid and binding upon the Authority and the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(ii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "THE 2009 BONDS," "SECURITY FOR THE 2009 BONDS" and "TAX MATTERS," and in "APPENDIX A – Summary of Principal Legal Documents" and "APPENDIX E – Form of Opinion of Bond Counsel," insofar as such statements purport to describe certain provisions of the Bonds, or to state legal conclusions and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof.

(6) The opinion of Jones Hall, as Disclosure Counsel, addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date of the Closing, the Official Statement (except for the appendices thereto, any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, or any information about The Depository Trust Company or its book-entry only system, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) An opinion of the City Attorney, dated as of the Closing addressed to the Authority, the City and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The City is a municipal corporation organized and validly existing under the laws of the State of California with full legal right, power and authority to perform all of its obligations under this Purchase Contract, and the City Agreements (as defined in the Bond Purchase Contract). The City has duly authorized, executed and delivered the City Agreements and the other documents relating to the Bonds to which it is a party, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the City Agreements constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

(ii) To the best of the City Attorney's knowledge, there is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of

the City Agreements or the Bonds, (c) find illegal, invalid or unenforceable the City Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party, or (d) have a material adverse effect on the making of Debt Service payments from the Net Revenues pledged to secure the Bonds under the Indenture.

(iii) The execution and delivery of the City Agreements and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which would materially adversely affect the City's performance under the City Agreements.

(iv) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the City Agreements have been obtained and are in full force and effect.

(v) The Authority is a joint exercise of powers authority organized and validly existing under the laws of the State of California with full legal right, power and authority to perform all of its obligations under this Purchase Contract and the Authority Agreements (as defined in the Bond Purchase Contract). The Authority has duly authorized, executed and delivered the Official Statement (as defined in the Bond Purchase Contract), the Authority Agreements and the other documents relating to the Bonds to which it is a party, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Authority Agreements constitute legal, valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

(vi) The execution and delivery by the Authority of the Authority Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or

bound in a manner which would materially adversely affect the Authority's performance under the Authority Agreements.

(vii) To the best of the City Attorney's knowledge, there is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the Authority or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the Authority Agreements or the Bonds, or (c) find illegal, invalid or unenforceable the Authority Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the Authority is a party.

(viii) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Authority Agreements have been obtained and are in full force and effect.

(8) An executed certificate of the Authority and the City, dated as of the date of the Preliminary Official Statement, in the form attached as Exhibit B.

(9) An executed closing certificate of the Authority, dated as of the Closing, in the form attached as Exhibit C.

(10) An executed closing certificate of the City, dated as of the Closing, in the form attached as Exhibit D.

(11) The opinion of counsel of the Trustee, dated as of the Closing, addressed to the Authority, the City and the Underwriter to the effect that:

(i) The Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the State, having full powers and authority and being qualified to enter into, accept and administer the trust created under the Indenture and to enter into the Indenture.

(ii) The Indenture has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture constitutes a legal, valid and binding agreement of the Trustee enforceable in accordance with its terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(12) A certificate or certificates, dated as of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer or officers of the Trustee to the effect that the Trustee has accepted the duties imposed by the Indenture and is authorized to carry out such duties.

- (13) An Arbitrage Certificate duly signed on behalf of the Authority.
- (14) Evidence of required filings with the California Debt and Investment Advisory Commission.
- (15) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system.
- (16) Evidence that the ratings assigned to the Bonds as of the Closing date are as set forth in the Official Statement.
- (17) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Authority and the City herein contained and of the Official Statement and the due performance or satisfaction by the Authority and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority and the City are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter, the Authority nor the City shall be under further obligations hereunder, except that the respective obligations of the Authority, the City and the Underwriter set forth in Section 11 of this Purchase Contract shall continue in full force and effect.

Section 9. Conditions to Authority's and City's Obligations. The performance by the Authority and the City of their respective obligations under this Purchase Contract are conditioned upon: (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Authority and the City of opinions addressed to the Authority and the City, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Authority and the City.

Section 10. Termination Events. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

- (1) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on

behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, its property or income, its bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(2) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(3) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities;

(4) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission is issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(5) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(6) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions not in force as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(7) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit

by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(8) a general banking moratorium is established by federal, New York or State authorities;

(9) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the Authority and the City, materially adversely affects the market price of the Bonds;

(10) any federal or California court, authority or regulatory body takes action materially and adversely affecting the collection of Revenues under the Indenture;

(11) any rating of the Bonds is downgraded, suspended or withdrawn by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds; or

(12) an event occurs which in the opinion of the Underwriter requires a supplement or amendment to the Official Statement.

Section 11. Payment of Expenses. (a) The Underwriter shall be under no obligation to pay, and the City shall pay the following expenses incident to the performance of the Authority's and the City's obligations hereunder:

(i) the fees and disbursements of Bond Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 4 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the Authority or the City; and

(iv) any other expenses and costs of the Authority and the City incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

(i) all advertising expenses in connection with the offering of the Bonds; and

(ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, except as provided in (a) above or as otherwise agreed to by the Underwriter and the City.

Section 12. Notices. Any notice or other communication to be given to the Authority or the City under this Purchase Contract may be given by delivering the same in writing to the Authority and the City at the addresses set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

E. J. De La Rosa & Co., Inc.
101 Montgomery Street, Suite 2150
San Francisco, CA 94104
415-495-8864 (Fax)

Section 13. Survival of Representations, Warranties, Agreements. All of the Authority's and the City's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 11 shall survive any termination of this Purchase Contract.

Section 14. Benefit; No Assignment. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including its successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

Section 15. Severability. In the event that any provision of this Purchase Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. Counterparts. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. Governing Law. This Purchase Contract shall be governed by the laws of the State of California.

Section 18. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Authority and the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

E. J. DE LA ROSA & CO.

By: _____

Its: _____

Accepted:

CITY OF BEVERLY HILLS

By: _____

Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

CITY OF BEVERLY HILLS
PUBLIC FINANCING AUTHORITY

By: _____

Scott G. Miller, PhD,
Chief Financial Officer

EXHIBIT A

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

MATURITY SCHEDULE

\$ _____ Serial Bonds

Principal Payment Date (<u>June 1</u>)	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
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Term Bonds

Principal Payment Date (<u>June 1</u>)	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
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EXHIBIT B

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Beverly Hills (the "City") and the City of Beverly Hills Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City and the Authority as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the Authority and the City (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: _____, 2009.

CITY OF BEVERLY HILLS

By: _____
Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY

By: _____
Scott G. Miller, PhD,
Chief Financial Officer

EXHIBIT C

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

CLOSING CERTIFICATE OF THE AUTHORITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Beverly Hills Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(i) The representations, warranties and covenants of the Authority contained in the Bond Purchase Contract dated as of _____, 2009, by and among the Authority, the City of Beverly Hills and E. J. De La Rosa & Co., Inc., as underwriter (the "Purchase Contract"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The Authority Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the Authority and the Underwriter.

(iii) The Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Authority, whether or not arising in the ordinary course of the operations of the Authority, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: _____, 2009.

CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY

By: _____
Scott G. Miller, PhD,
Chief Financial Officer

EXHIBIT D

\$ _____
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

CLOSING CERTIFICATE OF THE CITY

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Beverly Hills (the "City"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Contract dated as of _____, 2009, by and among the City, the City of Beverly Hills Public Financing Authority, and E. J. De La Rosa & Co., Inc., as underwriter (the "Purchase Contract") are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the City and the Underwriter.

(iii) The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Official Statement does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Contract.

Dated: _____, 2009.

CITY OF BEVERLY HILLS

By: _____
Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

INDENTURE

By and Between the

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY

and

**U.S BANK NATIONAL ASSOCIATION,
as Trustee**

Authorizing the Issuance of

**\$ _____
City of Beverly Hills Public Financing Authority
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)**

Dated as of November 1, 2009

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INDENTURE

THIS INDENTURE, dated as of November 1, 2009, is by and between the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY (the "Authority"), a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

RECITALS

WHEREAS, the Authority is authorized pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the "Law"), to issue bonds to provide funds to achieve its purposes, including the payment of costs of any public capital improvements (as that term is defined in the Law); and

WHEREAS, the Authority has heretofore adopted and implemented a program (the "Program") under which the Authority will provide financing and refinancing for certain public capital improvements by entering into, among other arrangements, lease/leasebacks with the City of Beverly Hills; and

WHEREAS, the Authority desires to issue, sell and deliver its 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds") in the aggregate principal amount hereinafter set forth to obtain money, in part, to carry out the Program, all under and in accordance with the Constitution and laws of the State of California, including the Law; and

WHEREAS, all conditions, things and acts required by law to exist, happen and be performed precedent to and in connection with the issuance of the 2009 Bonds exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized to issue the 2009 Bonds;

NOW, THEREFORE, in order to secure the payment of the 2009 Bonds and the performance and observance by the Authority of all the covenants, agreements and conditions herein and in the 2009 Bonds contained, and in consideration of the mutual covenants and agreements contained herein, the Authority and the Trustee hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall have, for purposes of this Indenture and of any certificate, opinion or other document herein mentioned, the meanings herein specified. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in Article I of the Property Lease.

"Additional Bonds" means Additional Bonds issued in accordance with Section 2.14 hereof.

"Agreement" shall mean that certain Joint Exercise of Powers Agreement, dated as of November 10, 1992, by and among the City and the Parking Authority of the City of Beverly Hills, creating the Authority, together with any amendments thereof and supplements thereto.

"Annual Debt Service" means, for each twelve-month period ending on each Principal Payment Date (that is, each June 1), the sum of (1) the interest falling due on the Outstanding Bonds in such twelve-month period, assuming that the Outstanding Bonds are retired as scheduled; and (2) the principal amount of the Outstanding Bonds, if any, falling due by their terms in such twelve-month period.

"Authority" means the City of Beverly Hills Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California and the Agreement.

"Base Rental" means all amounts payable to the Authority from the City as Base Rental pursuant to Section 3.01 of the Property Lease.

"Bondowner", "Owner" mean the person in whose name such Bond shall be registered.

"Bonds" means the Outstanding 2009 Bonds and any Outstanding Additional Bonds.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the principal corporate trust office of the Trustee is located are authorized or required by law to close.

"Certificate" or "Certificate of the Authority", "Statement" or "Statement of the Authority", "Request" or "Request of the Authority" and "Requisition" or "Requisition of the Authority" mean, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Designated Officer, or such other person as may be designated in writing to the Trustee and authorized to sign for the Authority. Any such instrument and supporting opinions or representations, if any, may be, but need not be, combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Any Certificate or Statement of the Authority may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants or engineers, unless the officer signing such certificate or statement knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the

matters upon which such certificate or statement may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or accountant or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or engineers may certify to different facts.

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

"Code" means the Internal Revenue Code of 1986 and the regulations of the United States Department of Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code, when appropriate.

"Corporate Trust Office" means the corporate trust office of the Trustee at Los Angeles, California, provided, however, for transfer, registration, exchange, payment, redemption and surrender of Bonds, "Corporate Trust Office" means care of the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, and fees and charges for preparation, execution, transportation and safekeeping of the Bonds.

"Costs of Issuance Fund" means the fund created pursuant to Section 3.04 hereof.

"Defeasance Obligations" means:

(a) Government Obligations; and

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

"Depository" means any securities depository appointed to act as Depository under Section 2.10 hereof.

"Designated Officer" means (a) with respect to the Authority, its Executive Director, Chief Financial Officer or any other person designated as a Designated Officer of the Authority by a

Certificate of the Authority signed by its Executive Director or its Chief Financial Officer and filed with the City and the Trustee; and (b) with respect to the City, its City Manager, Director of Administrative Services and Chief Financial Officer or any other person designated as a Designated Officer of the City by a Certificate of the City signed by its City Manager or its Director of Administrative Services and Chief Financial Officer and filed with the Authority and the Trustee.

"Excess Investment Earnings" means an amount equal to the sum of:

- (i) the excess of
 - (A) the aggregate amount earned on all Nonpurpose Investments (other than amounts attributable to such excess), over
 - (B) the amount which would have been earned if the Yield on such Nonpurpose Investments (other than amounts attributable to such excess) had been equal to the Yield on the Bonds,
- (ii) any income attributable to the excess described in clause (i).

"Facilities" means the improvements constructed on the Site.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority, the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by the fund is without regard to the source of investment.

"Fiscal Year" or "fiscal year" means the period beginning July 1 of each year and ending on the next succeeding June 30.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

"Government Obligations" means and includes any of the following securities: cash; State and Local Government Series notes issued by the United States Treasury; United States Treasury bills, notes and bonds as traded on the open market; zero coupon United States

Treasury bonds; and interest strips of the Resolution Funding Corporation for which separation of principal and interest is made by a Federal Reserve Bank in book-entry form.

"Gross Proceeds" means the sum of the following amounts:

(i) original proceeds, namely, net amounts received by or for the Authority as a result of the sale of the Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(ii) investment proceeds, namely, amounts received at any time by or for the Authority, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) sinking fund proceeds, namely, amounts, other than original proceeds or investment proceeds (as referenced in clauses (i) and (ii) above) of the Bonds, which are held in the Revenue Fund and any other fund or account to the extent that the Authority reasonably expects to use such other fund to pay debt service on the Bonds;

(iv) amounts in any fund established as a reasonably required reserve for payment of debt service on the Bonds;

(v) amounts, other than as specified in this definition, used to pay debt service on the Bonds; and

(vi) amounts received as a result of investing amounts described in this definition.

"Improvement Fund" means the fund by that name created pursuant to Section 3.03 hereof.

"Improvement" means (i) the acquisition, construction and installation of a water tower to be located at _____ in the City, and (ii) and any other capital improvements approved by the City Council, all as set forth and as described in Exhibit C attached to the Property Lease, as such Exhibit C may be revised from time to time, including in connection with the issuance of Additional Bonds.

"Independent Public Accountant" means any certified public accountant or public accountant or firm of such accountants retained and paid by the Authority or the City, and who, or each of whom:

- (1) is in fact independent, and not under domination of the Authority or the City;
- (2) does not have any substantial interest, direct or indirect, with the Authority or the City; and

- (3) is not connected with the Authority or the City as a board member of the Authority or as a member of the City Council of the City, or as an officer or employee of the Authority or the City, but who may be regularly retained to make annual or similar audits of any of the books of the Authority or the City.

"Indenture" means this Indenture as originally executed or as it may from time to time be supplemented or amended pursuant to the provisions hereof.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; or, in accordance with the then current guidelines promulgated by the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Request of the Authority delivered to the Trustee.

"Insurance and Eminent Domain Proceeds Fund" means the fund by that name created pursuant to Section 5.02(e) hereof.

"Interest Fund" means the fund by that name created pursuant to Section 5.02(a) hereof.

"Interest Payment Date" means each June 1 and December 1, commencing on June 1, 2010.

"Investment Property" means any security (as said term is defined in section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations (other than specified private activity bonds as defined in section 57(e)(5)(6) of the Code) the interest on which is excluded from gross income, under section 103 of the Code, for federal income tax purposes.

"Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended.

"Lease Year" means the period from the date of the issuance and delivery of the 2009 Bonds to May 31, 2010, and thereafter the period from each June 1 to and including May 31 of the next succeeding calendar year during the term of this Property Lease.

"Leased Property" means the Site and the Facilities.

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

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions

of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

"1999 Escrow Agreement" means that certain Escrow Agreement dated as of November 1, 2009 between the Authority and the 1999 Escrow Agent, relating to the refunding of the 1999 Prior Bonds.

"1999 Escrow Agent" means U.S. Bank National Association.

"1999 Prior Bonds" means the Authority's outstanding Lease Revenue Bonds, 1999 Refunding Series A.

"Nominee" means the nominee of the Depository as determined from time to time in accordance with Section 2.10.

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Notices" means all notices, certificates or other documentation to be provided by any person to any other person under this Indenture, the Property Lease, the Site Lease or the Continuing Disclosure Agreement, including, without implied limitation, the annual reports and notices of material events to be provided by the City under the Continuing Disclosure Agreement and notices to be provided by the Trustee to the City or the Authority regarding noncompliance with any provision of the Indenture or the Property Lease.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) retained by the Authority. Any opinion of counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the Authority, upon a certificate or opinion of, or representation by, an officer or officers of the Authority, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based is erroneous.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

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

(2) Bonds for the payment or redemption of which funds in the necessary amount shall have been deposited theretofore with the Trustee (whether upon or prior to the maturity or redemption date of such Bonds), provided, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or some other provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to Section 2.09.

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

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Site Lease and the Property Lease; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of initial delivery of the Bonds and which the City certifies in writing will not materially impair the use of the Leased Property by the City; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Property Lease and to which the Authority and the City consent in writing and which do not materially impair the use or the value of the Leased Property.

"Permitted Investments" means any of the following which at the time acquired or made are legal investments for the Authority, under applicable State of California laws, for the moneys held hereunder then proposed to be invested therein (provided that the Trustee shall be entitled to rely conclusively upon any such determination by the Authority):

- (a) Government Obligations;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market fund rated AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services;
- (g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such

state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (h) investment agreements with notice to each rating agency then maintaining a rating on the Bonds;
- (i) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture; and
- (j) any other investment permitted pursuant to Section 53601 of the California Government Code.

"Principal Fund" means the fund by that name created pursuant to Section 5.02(b) hereof.

"Principal Payment Date" means any June 1 on which the principal of the Bonds is scheduled to be paid.

"Property Lease" means the Property Lease, made and entered into as of November 1, 2009, by and between the Authority, as lessor, and the City, as lessee, providing for the lease of the Leased Property from the Authority to the City, as the same may be amended or supplemented.

"Purchase Price" The term, for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer. The term "Purchase Price," for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Bonds.

"Rating Agency" means Moody's and/or S&P and/or Fitch so long as each of them, as applicable, maintain a rating on the Bonds.

"Rebate Fund" means the Rebate Fund established pursuant to Section 6.20 hereof.

"Record Date" means the 15th day of the calendar month immediately preceding the month in which an Interest Payment Date occurs regardless of whether or not such day is a Business Day.

"Redemption Price" means the principal amount of Bonds to be redeemed, together with any applicable premium.

"Refunding Fund" means the fund by that name established pursuant to Section 3.05.

"Reserve Fund" means the fund by that name created pursuant to Section 5.02(c) hereof.

"Reserve Fund Credit Facility" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.02(c), provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company at the time of issuance of the irrevocable standby or direct-pay letter of credit or surety bond is in the highest rating category by Moody's and S&P; (b) such letter of credit or surety bond has a term of at least twelve (12) months; [(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 5.02(c)]; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 5.02(a) or (b).

"Reserve Fund Requirement" means, subject to the last paragraph of Section 5.02(c), as of the date of calculation by the Authority or the City, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds, (ii) ten percent (10%) of the total of the proceeds of the Bonds, and (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds; provided, that the Reserve Requirement with respect to the 2009 Bonds shall in no event exceed \$_____, and, provided further, that in no event shall the Authority or the City, in connection with the issuance of Additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Fund Requirement shall, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit.

"Revenue Fund" means the fund by that name created pursuant to Section 5.01 hereof.

"Revenues" means proceeds of the Bonds, if any, deposited in the Interest Fund and the Reserve Fund, the Base Rentals set forth in Exhibit B to the Property Lease which are received by the Trustee for the benefit of the Owners of the Bonds, the net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee for the purpose of

paying debt service on the Bonds or redeeming Bonds, other amounts received by the Trustee for the benefit of the Owners of the Bonds, and all other revenues, proceeds, charges, income, rents, receipts, profits and benefits derived by the Authority as lessor of the Leased Property under the Property Lease or otherwise from the use and operation of the Leased Property or arising out of the Leased Property (other than Additional Rental) and payable to the Trustee under the terms hereof including interest or profits from the investment of money in any fund or account created under this Indenture (other than the Rebate Fund) which by the terms hereof, are required to be deposited in the Revenue Fund or the Reserve Fund, any contributions from whatever source, and all rentals received by the Authority as lessor of the Leased Property from any additions or extensions of the Leased Property hereafter acquired or constructed.

"S&P" means Standard & Poor's, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

"Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11630, Fax (616) 277-4039 or 4190; or, in accordance with the then current guidelines promulgated by the Securities and Exchange Commission at such other addresses and/or to such other securities depositories as the Authority may designate in a Request of the Authority delivered to the Trustee.

"Serial Bonds" means the 2009 Bonds maturing on June 1 in each of the years 2010 through 20__, and any Additional Bonds identified as Serial Bonds in a supplemental Indenture.

"Sinking Account Payment" means the principal amount of Term Bonds required to be redeemed pursuant to Section 4.01(b)(ii) hereof on any Sinking Account Payment Date.

"Sinking Account Payment Date" means, as such term relates to the 2009 Bonds, with respect to the Term Bonds maturing June 1, 20__ each June 1 commencing June 1, 20__ and ending on June 1, 20__, with respect to the Term Bonds maturing June 1, 20__, each June 1 commencing June 1, 20__, and ending on June 1, 20__, and with respect to the Term Bonds maturing June 1, 20__, each June 1 commencing June 1, 20__ and ending on June 1, 20__.

"Site" means the real property described in Exhibit A attached to the Property Lease, as such description may be modified or amended as provided in the Property Lease and the Site Lease.

"Site Lease" means the Site and Facilities Lease dated as of November 1, 2009 between the City, as lessor, and the Authority, as lessee.

"Surplus Revenue Fund" means the fund by that name created pursuant to Section 5.02(d) hereof.

"Tax Certificate" means, with respect to the 2009 Bonds, collectively, the Certificate as to Arbitrage and the Certificate Regarding the Use of Proceeds, each dated as of the date of issuance and delivery of the 2009 Bonds, executed by the City and the Authority.

"Term Bonds" means, with respect to the 2009 Bonds, the Bonds maturing on June 1, 20__, June 1, 20__ and June 1, 20__.

"Trustee" means the trustee under this Indenture with the duties and powers herein prescribed, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in Section 8.01.

"2009 Bonds" means the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project).

"2001 Escrow Agreement" means that certain Escrow Agreement dated as of November 1, 2009 between the Authority and the 2001 Escrow Agent, relating to the refunding of the 2001 Prior Bonds.

"2001 Escrow Agent" means U.S. Bank National Association.

"2001 Prior Bonds" means the Authority's outstanding Lease Revenue Bonds, 2001 Refunding Series A.

"Value" means the value of any investments as of any time of determination, calculated as follows:

(1) For securities:

(a) the closing bid price quoted by Interactive Data Systems, Inc.; or

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

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

(2) As to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest, and

(3) As to any investment not specified above, the value thereof established by the Authority at the time of purchase.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Obligations which require payments in a form not characterized as principal and interest) on a Nonpurpose Obligation or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Obligation or the Bonds, all computed as prescribed in applicable Regulations.

ARTICLE II

THE 2009 BONDS

SECTION 2.01. Designation. The Bonds to be issued by the Authority under and subject to the terms of this Indenture and the Law shall be designated as the "City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project)", and shall be in the initial aggregate principal amount of \$_____.

SECTION 2.02. Terms of 2009 Bonds; Form.

(a) Dated Date and Maturity Dates. Each 2009 Bond shall be dated their date of original delivery and shall be issued and delivered in fully registered form numbered as the Trustee shall determine. The 2009 Bonds shall be issued and delivered in the denominations of \$5,000 and any integral multiples thereof. The 2009 Bonds shall mature on the dates, in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

Maturity Date (<u>June 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>
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(b) Calculation of Interest. Interest with respect to each 2009 Bond shall accrue from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date, or (ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date in which event interest with respect thereto shall be payable from its dated date; provided, however, that if at the time of authentication of any 2009 Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment. Interest with respect to

the 2009 Bonds shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to any 2009 Bond shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2009 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest shall be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the Owners by first class mail not less than 10 days prior thereto.

(c) Principal Provisions. Principal and premium, if any, with respect to each 2009 Bond is payable upon surrender of such 2009 Bond at the Principal Corporate Trust Office of the Trustee upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the 2009 Bonds shall be payable in lawful money of the United States of America.

(d) Form. The 2009 Bonds shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by this reference.

(e) Book-Entry. So long as the 2009 Bonds shall be in book-entry, principal of, premium, if any and interest on the 2009 Bonds shall be paid as provided in Section 2.10.

SECTION 2.03. Execution and Authentication of 2009 Bonds. The 2009 Bonds shall be executed on behalf of the Authority by the signature of its Chairman, Executive Director or Chief Financial Officer, and attested on behalf of the Authority by the signature of its Secretary. Any of the signatures of said Chairman, Executive Director, Chief Financial Officer or said Secretary may be by printed facsimile reproduction. If any officer whose signature appears on any 2009 Bond ceases to be such officer before delivery of the 2009 Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the 2009 Bonds to the purchaser. Also, any 2009 Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such 2009 Bond shall be the proper officers of the Authority although at the nominal date of such 2009 Bond any such person may not have been such officer of the Authority.

Only such of the 2009 Bonds as shall bear thereon a certificate of authentication and registration in the form herein before recited, manually signed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the 2009 Bonds have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.04. Transfer of Bonds. Any registered Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.06 by the person in whose name it is registered, in person or by his duly authorized attorney in

writing, upon surrender of such fully registered Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

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

No transfer of any Bond shall be required to be made during the period after the Record Date through and including the next succeeding Interest Payment Date or during the period designated for selection of Bonds for redemption, or of any Bond so selected for redemption.

SECTION 2.05. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of fully registered Bonds of other authorized denominations of the same maturity and interest rate. The Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required during the period after the Record Date through and including the next succeeding Interest Payment Date or during the period designated for selection of Bonds for redemption, or of any Bond so selected for redemption.

SECTION 2.06. Bond Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office during normal business hours, sufficient books for the registration and transfer of the Bonds, which shall at all reasonable times be open to inspection by the Authority upon prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

SECTION 2.07. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Indenture to be signed or executed by the Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of the Indenture (except as otherwise herein provided), if made in the following manner. The fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

SECTION 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and shall be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive fully registered Bonds. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive fully registered Bonds of authorized denominations of the same maturity or maturities and interest rate or rates. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate, if necessary, and deliver a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, then the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate, if necessary, and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Authority may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this section and of the expenses which may be incurred by the Authority and the Trustee in the premises.

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

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

SECTION 2.10. Book-Entry; Limited Obligation of Authority. The Bonds may be issued in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. The ownership of such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the

Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than a Nominee as shown in the registration books kept by the Trustee, of any principal of, premium, if any, or interest on the Bonds. The Authority and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the owner and absolute Owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of prepayment and other matters with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes whatsoever.

The Trustee shall pay all principal, premium, if any, and interest with respect to the Bonds, only to or upon the order of the respective Owners, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Nominee, the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

SECTION 2.11. Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute, seal, countersign and deliver to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.10 hereof or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to Persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. In the written acceptance of the Trustee, such Trustee shall agree to take all actions necessary for all representations of the Authority in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority shall take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry system.

SECTION 2.12. Transfers Outside Book-Entry System. The Authority may by written request, at any time or for any reason, remove the Depository and appoint a successor or successors thereto. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Authority determines that the Depository shall no longer so act, then the Authority will discontinue the book-entry system with the Depository. If the Authority fails to identify another qualified securities depository to replace the Depository then the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names the Owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.04.

SECTION 2.13. Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed in writing by the Depository.

SECTION 2.14. Additional Bonds. In addition to the Bonds authorized to be issued pursuant to Section 2.01 of this Indenture, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds secured by the Revenues on a parity with such Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of Sections 2.14 and 2.15, and subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds shall have been authorized to finance additional capital improvements for the City, or to refund bonds previously issued to finance such capital improvements, and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City shall be in compliance with all covenants and undertakings set forth in this Indenture and in the Property Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding hereunder shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture.

(d) The Supplemental Indenture authorizing issuance of such Additional Bonds shall require that the balance on deposit in the Reserve Fund upon delivery of said Additional Bonds is a sum at least equal to the Reserve Requirement with respect to all Outstanding Bonds, including said Additional Bonds, and shall also establish such accounts and subaccounts within the various funds and accounts established hereby or the Authority shall deem necessary or advisable.

(e) Such Additional Bonds shall be equally and ratably secured by the Revenues with all other Bonds herein authorized, except that separate accounts may be established in the Reserve Fund for one or more series of Bonds, and amounts in each such reserve account shall be available to pay debt service on the series of Bonds for which it was established.

(f) The Authority shall have entered into an amendment to the Property Lease, in and by which the City obligates itself in the manner provided in the Property Lease to make Base Rental payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Property Lease, and the City shall certify in writing, that such Base Rental payments, as amended, in any Lease Year shall not exceed the fair rental value of the Project.

(g) If necessary to ensure that the Base Rental payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any

Lease Year, the Authority and the City shall have amended the Property Lease pursuant to Section 12.03 thereof to add additional property to the Leased Property.

(h) In the event that the Additional Bonds are being issued to finance the construction of a to-be-built project, and such project is to be part of the Leased Property prior to its completion, the Supplemental Indenture authorizing the issuance of such Additional Bonds shall require the deposit into a capitalized interest account, or a subaccount therein, an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated completion date of the Project, but only if such Additional Bonds are issued prior to the substantial completion of such project.

(i) The Authority or the City shall obtain a title insurance policy in accordance with Section 6.13(b) hereof in an amount not less than the initial principal amount of such Additional Bonds, and shall increase the amount of rental interruption insurance such that the amount of rental interruption insurance is not less than required by Section 6.03 of the Property Lease.

SECTION 2.15. Proceedings for the Issuance of Additional Bonds. Whenever the Authority shall have determined to issue Additional Bonds pursuant to Section 2.14, the Authority shall enter into a Supplemental Indenture determining that the issuance of such Additional Bonds is necessary for the purposes specified in Section 2.14, specifying the principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds and the funds to be established for the security and payment thereof. Before such Additional Bonds shall be issued and delivered, the Authority shall file the following documents with the Trustee:

(a) An executed copy of the Supplemental Indenture authorizing such Additional Bonds, together with a certified copy of the resolution of the Authority authorizing the issuance of such Additional Bonds and the execution of such Supplemental Indenture.

(b) An Opinion of Bond Counsel stating: (i) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the Authority; (ii) that the issuance of the Additional Bonds is authorized by the Bond Law and this Indenture; (iii) that the Additional Bonds when duly executed and delivered, will be valid and binding obligations of the Authority, payable from Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds; (iv) that upon the delivery of the Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount at the time permitted by law or the then limits of indebtedness of the Authority, if any; (v) if the Additional Bonds are to be tax-exempt, that the interest on the Additional Bonds will be excluded from the gross income of the Owners thereof for federal income tax purposes; and (vi) that the issuance of such Additional Bonds will not, of itself, cause interest on the Bonds to become includable in gross income for federal income tax purposes.

(c) A Certificate of the Authority certifying that the requirements set forth in Section 2.14 have been either met or provided for, together with a copy of the amendment to the Property Lease required by Section 2.14, together with a certified copy of the resolutions of the Authority and the City authorizing the execution of such amendment to the Property Lease.

SECTION 2.16. Applicability to Additional Bonds. Unless otherwise specified in the Supplemental Indenture pursuant to which an issue of Additional Bonds are issued, the provisions of Sections 2.04 through 2.13 shall apply to such issue of Additional Bonds.

ARTICLE III

ISSUANCE OF 2009 BONDS

SECTION 3.01. Issuance of 2009 Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the request of the Authority, deliver the 2009 Bonds in the aggregate principal amount of \$_____.

SECTION 3.02. Application of Proceeds of Sale of 2009 Bonds – Allocation Among Funds. Upon receipt of the net proceeds from the sale of the 2009 Bonds, being \$_____ (constituting the par amount of the 2009 Bonds, less original issue discount in the amount of \$_____, and less an underwriters' discount of \$_____), the Trustee shall deposit said remaining proceeds as follows:

(i) The Trustee shall deposit into the Costs of Issuance Fund the amount of \$_____.

(ii) The Trustee shall deposit into the Reserve Fund the amount of \$_____.

(iii) The Trustee shall deposit into the Refunding Fund the amount of \$_____.

(iv) The Trustee shall deposit the remainder of said proceeds, being an amount equal to \$_____ in the Improvement Fund.

SECTION 3.03. Establishment and Application of Improvement Fund. There is hereby created the Improvement Fund, which fund and account shall be held by the Trustee. The Trustee shall administer such fund as provided in this Section 3.03. Amounts on deposit in the Improvement Fund shall be used, as provided below, to pay the costs of acquiring and constructing the Improvement, and to reimburse the City for the same. Pending such use, amounts on deposit in the Improvement Fund shall be invested only in Permitted Investments, with interest earnings and other investment income thereon being retained therein. All moneys remaining in the Improvement Fund upon the completion of the Improvement (as determined by the City in its sole discretion with written notice to the Trustee) shall be transferred by the Trustee as hereinafter provided. Additionally, the Trustee, upon receipt of a Request of the Authority, shall transfer amounts on deposit in the Improvement Fund to the Interest Fund.

The Trustee shall, from time to time, disburse money from the Improvement Fund to pay the costs of acquiring, constructing and equipping the Improvement, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Request in the form attached hereto as Exhibit B.

In making such payments, the Trustee may rely upon the representations made in the Request. If for any reason the City should decide prior to the payment of any item in said Request not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or due performance of any contracts relating to the Improvement or for the use or application of money properly disbursed pursuant to requests made under this Section 3.03.

If, after payment by the Trustee of all Requests theretofore tendered to the Trustee under the provisions of this Section 3.03 and the City has notified the Trustee of the completion of the Improvement, there shall remain any balance of money in the Improvement Fund, all money so remaining (other than a reasonable retainage to pay Costs of acquiring, construction and equipping the Improvement, as determined in the sole discretion of the City with written notice to the Trustee) shall be transferred first to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Fund Requirement and thereafter to the Revenue Fund. Thereafter, the Improvement Fund shall be closed.

SECTION 3.04. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust the Costs of Issuance Fund, and the moneys in said fund shall be disbursed and applied only as hereinafter authorized. All money in the Costs of Issuance Fund shall be withdrawn and applied by the Authority to pay Costs of Issuance upon a Requisition of the Authority filed with the Trustee. Each such Requisition shall be sequentially numbered, shall state the person to whom payment shall be made, the amount to be paid, the purpose for which such obligation was incurred, and that such payment is a proper charge against said fund. All moneys remaining in the Costs of Issuance Fund on May 15, 2010 (or such earlier date as the Authority or the City may direct the Trustee in writing) shall be transferred by the Trustee to an account within the Improvement Fund, as directed in writing by the City or the Authority. Thereafter, the Costs of Issuance Fund shall be closed.

SECTION 3.05. Establishment and Application of Refunding Fund. The Trustee shall establish, maintain and hold in trust the Refunding Fund, and the moneys in said fund shall be disbursed and applied only as hereinafter authorized.

On the date of issuance of the 2009 Bonds, \$_____ of the amounts on deposit in the Refunding Fund shall be transferred to the 1999 Escrow Agent and applied as provided in the 1999 Escrow Agreement. Additionally, on the date of issuance of the 2009 Bonds, \$_____ of the amounts on deposit in the Refunding Fund shall be transferred to the 2001 Escrow Agent and applied as provided in the 2001 Escrow Agreement.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Redemption.

(a) Mandatory Redemption from Insurance or Condemnation Proceeds. The Trustee shall, on such date as is set forth in a Request of the Authority, redeem the Bonds, including the 2009 Bonds, as a whole, or in part pro rata among maturities of all Bonds and by lot within any maturity if less than all of the Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, Sections 6.13 and 6.17 hereof, respectively, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

(b) Mandatory Redemption of 2009 Bonds from Sinking Account Payments.

(i) The Term Bonds maturing on June 1, 20__ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on June 1, 20__ and on each June 1 thereafter to and including June 1, 20__ from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor shall be as set forth in the following schedule:

Redemption Date (<u>June 1</u>)	Principal <u>Amount</u>
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*Maturity

(ii) The Term Bonds maturing on June 1, 20__ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on June 1, 20__ and on each June 1 thereafter to and including June 1, 20__ from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor shall be as set forth in the following schedule:

Redemption Date (<u>June 1</u>)	Principal <u>Amount</u>
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*Maturity

(iii) The Term Bonds maturing on June 1, 20__ shall be subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on June 1, 20__ and on each June 1 thereafter to and including June 1, 20__ from money

on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor shall be as set forth in the following schedule:

Redemption Date <u>(June 1)</u>	Principal <u>Amount</u>
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*Maturity

Mandatory Sinking Account Payments shall be adjusted as directed by the Authority in the event of a partial redemption pursuant to Section 4.01(a) or Section 4.01(c) hereof.

In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Fund or the Principal Fund pursuant to Section 5.02 during the current Bond Year) may also be used and withdrawn by the Authority, upon the Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any twelve-month period ending on April 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding June 1.

(c) Optional Redemption. The Bonds maturing on or after June 1, 20__ are subject to optional redemption prior to maturity on or after June 1, 20__ at the option of the Authority, as a whole or in part on any date, as set forth in a Request of Authority, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor other than those described in (a) above, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

SECTION 4.02. Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of \$5,000 portions or any integral multiple thereof. Whenever less than all the Outstanding Bonds of the same issue maturing on any one date are called for redemption pursuant to Section 4.01(a) or (c) above at any one time, the Trustee shall select the Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate. If less than all the Outstanding Bonds are called for redemption pursuant to Section 4.01(a) or (c) above at any one time, the Authority shall specify to the Trustee a principal amount in each maturity of each issue to be redeemed such

that the Base Rental payments following such redemption will not exceed the fair rental value of the Leased Property in any year.

SECTION 4.03. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) two or more Information Services and (iii) the Securities Depositories. The Authority shall provide written notice to the Trustee of any prepayment under the Property Lease as provided in the Property Lease and, upon the receipt of such notice or upon the receipt of a Request of the Authority to redeem Bonds as provided in Section 6.13 or Section 6.17, the Trustee shall prepare and mail notice of redemption as provided herein. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses and telephone number or numbers of the Trustee), the CUSIP number (if any) of the maturity or maturities, the interest rate and maturity date of each Bond to be redeemed, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Each notice relating to a redemption pursuant to Section 4.01(a) or Section 4.01(c) shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

The Trustee shall mail by certified mail with return receipt requested a second notice of redemption sixty (60) days after the scheduled redemption date to Owners who failed to surrender their Bonds on such redemption date.

Failure by the Trustee to give notice pursuant to this Section 4.03 to any one or more of the Information Services or Securities Depositories or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Bondowner to receive any redemption notice mailed to such Bondowner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

The Authority shall have the right to rescind any redemption pursuant to Section 4.01(a) or Section 4.01(c) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

SECTION 4.04. Partial Redemption. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity.

SECTION 4.05. Effect of Redemption. When notice of redemption has been duly given as aforesaid, and moneys for payment of the redemption price are deposited with the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Subject to Section 10.03 hereof, the Trustee shall, upon surrender for payment of any of said Bonds, pay such Bonds at the redemption price aforesaid.

All Bonds redeemed pursuant to the provisions of this Article IV shall be cancelled upon surrender thereof and destroyed, and no Bonds shall be issued in place thereof.

ARTICLE V

REVENUES

SECTION 5.01. Pledge of Revenues; Revenue Fund. The Authority hereby pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth herein, shall be prior in right to any other pledge, lien or security interest created by the Authority therein: (i) the Revenues, (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time to time by the Trustee under this Indenture, (iii) earnings on amounts included in provisions (i) and (ii) of this Section, (iv) all of the right, title and interest of the Authority in the Property Lease (except for the right of the Authority to be indemnified thereunder and the obligation of the Authority and the City to rebate Excess Investment Earnings to the federal government), and (v) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security hereunder, for the equal and proportionate benefit and security of Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by Section 5.02.

Except as otherwise provided in Section 8.04 hereof, all Revenues to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Revenues collected or received by the Authority shall be deemed to be held in trust and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof, and all such Revenues shall be forthwith deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund," which fund is hereby created. The Revenue Fund shall be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding. All moneys at any time deposited in the Revenue Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and shall be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

SECTION 5.02. Allocation of Revenues to Special Funds. Upon receipt thereof, the Trustee shall deposit all Revenues in the Revenue Fund. The Trustee shall thereupon deposit all moneys in the Revenue Fund in one or more of the funds set forth in this Section 5.02, each of which the Trustee shall establish, maintain and hold in trust, and the moneys in each of which shall be disbursed and applied only as hereinafter authorized. Such Revenues shall be so deposited in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) Interest Fund. The Trustee, on or before the Business Day next preceding each Interest Payment Date, shall deposit in the Interest Fund an amount which, together with any balance then on deposit in said Fund, will be sufficient to pay

the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding Interest Payment Date shall be carried forward and applied to the payment of interest on any subsequent Interest Payment Date. Moneys in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity), subject, however, to the provisions of Section 5.03.

(b) Principal Fund. The Trustee, on or before the Business Day next preceding each Principal Payment Date and on or before each Sinking Account Payment Date, after making the deposit required on such date by subsection (a) above, shall deposit in the Principal Fund an amount which, together with any balance then on deposit in said Fund, equals the principal of the Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the Bonds in accordance with the terms of this Indenture.

Any moneys in the Principal Fund not then required for the payment of such principal on such Principal Payment Date or Sinking Account Payment Date shall be carried forward and applied to the payment of principal on any subsequent Principal Payment Date or Sinking Account Payment Date. Moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable, subject, however, to the provisions of Section 5.03.

(c) Reserve Fund. On or before each Interest Payment Date, after making all deposits required by subsections (a) and (b) above, the Trustee shall deposit in the Reserve Fund such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

Moneys in (or available to) the Reserve Fund shall be applied solely for the purpose of paying the interest on the Bonds as the same shall become due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture, or for the purpose of paying the principal of the Bonds as the same become due (in both instances, however, only to the extent that there are insufficient moneys available for such purposes in the Interest Fund or the Principal Fund). Any moneys in excess of the Reserve Fund Requirement in the Reserve Fund shall, on or before any June 1 occurring while any Bonds are Outstanding, be transferred to the Rebate Fund or the Revenue Fund, as directed by a Designated Officer of Authority. For purposes of determining the amount or existence of any such excess, the Trustee shall cause the investments in the Reserve Fund to be valued at their Value as of each May 15 (or if such day is not a Business Day, then the next succeeding Business Day). To the extent that amounts are held in the Reserve Fund at the time of the final payment of debt service due on the Bonds, such amounts may be used to pay, in whole or in part, such final payment.

Notwithstanding anything herein to the contrary, at the option of the Authority, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Reserve Fund Credit Facility with the Trustee; provided that with respect to any such substitution, (i) such substitution shall not result in the reduction or

withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Authority shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an Opinion of Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Reserve Fund Credit Facility has been substituted shall be released to or at the direction of the City.

In the event at any time there is a combination of cash and a Reserve Fund Credit Facility on deposit in the Reserve Fund, the Trustee shall withdraw such cash in full prior to drawing on the Reserve Fund Credit Facility and, if and to the extent the Reserve Fund Credit Facility has been drawn upon, the Trustee shall reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

In the event that a Reserve Fund Credit Facility is available to be drawn upon for only one or more particular issue of Bonds, a separate account in the Reserve Fund may be established for such series and the calculation of the Reserve Fund Requirement with respect to all other Bonds shall exclude the debt service on such series of Bonds. Additionally, the Reserve Fund may be maintained in the form of one combined Reserve Fund or in the form of one or more separate accounts and subaccounts established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Authority or the City in writing to the Trustee.

(d) Surplus Revenue Fund. After making the deposits required by subsections (a) through (c) above, the Trustee, on or before the Business Day immediately preceding each Principal Payment Date, shall deposit any remaining Revenues in the Surplus Revenue Fund. The Trustee shall, immediately upon making each deposit in the Surplus Revenue Fund, determine if any moneys then in the Surplus Revenue Fund shall be required for the payment of principal of or interest on the Bonds on such Principal Payment Date or for the replenishment of the Reserve Fund so that amounts on deposit therein are not less than the Reserve Fund Requirement, and shall hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund, the Principal Fund or the Reserve Fund as so needed. Except as hereinabove provided, moneys in the Surplus Revenue Fund shall be paid to, or at the direction of, the City within sixty Business Days after each Principal Payment Date.

(e) Insurance and Eminent Domain Proceeds Fund. The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee shall be deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in Section 6.13 and Section 6.17 hereof, as applicable.

SECTION 5.03. Reimbursement of Rental. All moneys in any of the funds established pursuant to Section 5.02, other than the Reserve Fund, may be used at any time for reimbursement to the City for any rental paid by the City under the Property Lease for a period of time during which the payment of rental under the Property Lease is abated pursuant to Section 3.06 thereof and for which no other moneys are available. The Trustee shall disburse any such funds to the City upon receipt of a Requisition of the Authority directing the Trustee to do so.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. Payment of Principal and Interest. The Authority will pay the principal and the interest (and premium, if any) to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds. When and as paid in full, all Bonds shall be cancelled by the Trustee, and thereafter they shall be destroyed, and the Trustee shall deliver to the Authority a certificate of destruction.

SECTION 6.02. Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Authority will not extend or assent directly or indirectly to the extension of time for the payment of any claim for interest on any of the Bonds, and will not be a party to or approve any such arrangement directly or indirectly by purchasing or funding such claims or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

SECTION 6.03. Maintenance of Revenues. The Authority will collect all rents and charges due to the Authority for the occupancy or use of the Leased Property promptly as the same become due, and will enforce its rights promptly and vigorously against any tenant or other person who does not pay such rents or charges as they become due. The Authority will maintain and enforce all of its rights under the Property Lease vigorously at all times.

SECTION 6.04. Accounting Records and Reports. The Authority shall keep (or cause to be kept) proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to so inspect) at reasonable hours and under reasonable conditions. Not more than one hundred and eighty (180) days after the close of each Fiscal Year the Authority shall cause to be prepared, and shall furnish to any Bondowner who may so request, a complete financial statement covering receipts, disbursements, allocation and application of all income and Revenues for such Fiscal Year, including fund balances, accompanied by an audit report, which maybe the audit report of the City and opinion of an Independent Public Accountant to be employed by the Authority or the City. Such financial statement, audit report and opinion shall also be filed with the Trustee. The Trustee shall have no duty to review such financial statement, audit report and opinion.

SECTION 6.05. Compliance with Indenture. The Authority will observe and perform all the covenants, conditions and requirements of this Indenture faithfully, and will not suffer or permit any default to occur hereunder, nor do or permit to be done in, upon or about the Leased Property, or any part thereof, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture.

SECTION 6.06. Compliance with Property Lease. Without allowance for any grace period which may or might exist or be allowed by law or granted pursuant to any terms or conditions of the Property Lease, the Authority will keep, perform and comply promptly and faithfully in all respects with all the terms, provisions, covenants, conditions and agreements of the Property Lease to be kept, performed and complied with by it. The Authority will not do or

permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring a forfeiture of the Property Lease, or would or might be a ground for cancellation or termination of the Property Lease by the lessee thereunder. Upon request of the Trustee, the Authority will deposit promptly with the Trustee (to be held by the Trustee until the title and rights of the Trustee under this Indenture shall be released or reconveyed) any and all documentary evidence received by it showing compliance with the provisions of the Property Lease to be performed by it. The Authority, immediately upon its receiving or giving any notice, communication or other document in any way relating to or affecting the Property Lease, or the leasehold estate thereby created, which may or can in any manner materially affect the estate of the lessor or of the lessee in or under the Property Lease, will deliver the same, or a copy thereof, to the Trustee.

SECTION 6.07. Payment of Taxes. The Authority will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Leased Property or any part thereof, or upon the Revenues or any part thereof, promptly as and when the same shall become due and payable; and the Authority will keep the Trustee advised of such payments, upon request of the Trustee, from time to time. The Authority will not suffer the Leased Property, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

SECTION 6.08. Observance of Laws and Regulations. To the extent material to the issuance of and security for the Bonds, the Authority will keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Authority, including its right to exist and carry on business as a public body, corporate and politic, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

SECTION 6.09. Maintenance and Repair of Leased Property. The Authority shall maintain or cause to be maintained in good condition and keep in good repair the Leased Property and all buildings, facilities and equipment now or hereafter constituting any part of the same, and shall not commit or allow any waste with respect to the Leased Property.

SECTION 6.10. Other Liens. The Authority shall keep the Leased Property and all parts thereof free from judgments, from mechanics' and materialmen's liens (except those arising from the Improvement or the construction of additions or improvements to the Improvement) and free from all liens, claims, demands and encumbrances of whatever nature or character (except those referred to in the Property Lease) to the end that the security provided pursuant to this Indenture may at all times be maintained and preserved, and the Authority shall keep the Leased Property free from any claim or liability which might embarrass or hamper the Authority in conducting its business or operating the Leased Property. The Trustee at its option (after first giving the Authority 10 days' written notice to comply therewith and failure of the Authority to so comply within said 10-day period) may defend against any and all actions or proceedings in which the validity of this Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its covenants and

warranties contained herein, or from its liability hereunder to defend the validity of this Indenture and the pledge herein made and to perform such covenants and warranties.

SECTION 6.11. Against Encumbrances or Sales. So long as any Bonds are Outstanding, the Authority will not create or suffer to be created any mortgage, pledge, lien or charge upon the Leased Property or any part thereof or the Revenues, or upon any real or personal property essential to the operation of the Leased Property, other than the pledge, lien and charge referred to in the Property Lease or provided for in this Indenture, and other than Permitted Encumbrances. The Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues, other than the 2009 Bonds and the Additional Bonds, and will not sell or otherwise dispose of any property essential to the proper operation of the Leased Property or to the maintenance of the Revenues.

SECTION 6.12. Compliance with Contracts. The Authority shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Leased Property to which it is a party, and all other contracts and agreements materially affecting or involving the Leased Property.

SECTION 6.13. Insurance.

(a) Hazard and Other Insurance.

(1) The Authority shall maintain or cause to be maintained by the City, at all times while any of the Bonds are Outstanding, public liability insurance, property damage insurance, earthquake insurance, fire and extended coverage insurance and rental income interruption insurance in the amounts, form and the coverage required of the City pursuant to Article VI of the Property Lease. The Authority shall maintain, or cause to be maintained by the City, earthquake insurance, but only as provided and as required by Section 6.02 of the Property Lease.

(2) The net proceeds of all public liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

(3) The net proceeds of all rental income interruption insurance shall be treated as Revenues and applied as provided in Section 5.02 hereof.

(4) If all or any part of the Leased Property shall be destroyed or damaged (in whole or in part) by fire or other casualty, the net proceeds of insurance required by Section 6.13(a)(1) hereof resulting from claims for such losses shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall treat such proceeds as

Revenues and shall apply such proceeds as provided in Section 5.02 hereof.

(ii) If the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has not materially affected the operation of the Leased Property or, even if it has, that such damage or destruction has not materially affected the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amounts to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(iii) The Trustee shall be provided a report of an engineer, insurance adjuster, risk manager or other appropriate professional, who may be an employee of the City, regarding the extent of such damage or destruction and its effect on the ability of the Authority to meet its obligations under this Indenture, and whether the proceeds of insurance required by Section 6.13(a)(1) are needed for the repair or rehabilitation of the Leased Property.

(iv) If less than all of the Leased Property shall have been damaged or destroyed, and if the Trustee is furnished with the report specified in Section 6.13(a)(4)(iii) to the effect that such damage or destruction has materially affected the ability of the Authority to meet any of its obligations hereunder, the Trustee shall either apply the net proceeds of insurance (A) to the redemption of Bonds in the manner provided in Article IV, but only if the Authority determines in a Certificate provided to the Trustee that the Base Rental payments thereafter to be made by the City and available to the Trustee, together with other available Revenues, will be sufficient to pay the principal of and interest on the Bonds Outstanding after such redemption when due, and otherwise (B) as provided in subparagraph (a)(4)(ii) of this Section 6.13, above. The Trustee shall apply said proceeds as directed by the Authority pursuant to a Request of the Authority. If the Authority directs the Trustee to redeem Bonds as set forth in (A) above, it shall provide the Trustee with revised Base Rental payment schedules under the Property Lease.

(v) If all of the Leased Property shall have been damaged or destroyed and if that portion of such proceeds available to the Trustee, together with any other moneys then available or made available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon receipt by the Trustee

of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall at the Request of the Authority, apply such proceeds in accordance with the provisions of Section 7.02 insofar as the same may be applicable. Notwithstanding the above, in the event that the insurance moneys received by the Trustee in connection with damage to or destruction of all of the Leased Property are insufficient to redeem all of the Bonds, then the Authority and/or the City shall use such insurance moneys received under the Property Lease to repair and rehabilitate the Leased Property.

(vi) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, have been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City and the Authority in accordance with their respective interests pursuant to a Certificate of the Authority.

(b) Title Insurance.

(1) The Authority will also provide, or cause the City to provide, upon the delivery of each series of the Bonds, a title insurance policy or policies with endorsement so as to be payable to the Trustee for the use and benefit of the Bondowners. Such policy or policies shall be in the amount of the aggregate principal amount of each Series of the Bonds initially issued pursuant to Article III hereof, and shall insure the Authority's leasehold interest in the real property described in Exhibit A to the Property Lease, subject only to Permitted Encumbrances, and shall insure the City's leasehold therein as a first priority encumbrance, subject only to clauses (i), (iv) and (v) of the definition of Permitted Encumbrances.

(2) All proceeds received by the Trustee under said policy shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(i) If the Trustee is furnished with the report of an independent professional consultant that such title defect has not materially affected the operation of the Leased Property, or that such title defect has not materially affected the ability of the Authority to meet any of its obligations hereunder, the Trustee shall treat such proceeds as Revenues and shall apply such proceeds as provided in Section 5.02 hereof.

(ii) If less than all of the Leased Property shall have been affected by such title defect, and if the Trustee is furnished with the report of an independent professional consultant to the effect that such title defect has materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, the Trustee shall apply such proceeds to the redemption of Bonds in the

manner provided in Article IV or to the acquisition of real property or an interest therein so as to cure such title defect, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption or acquisition.

(iii) If all of the Leased Property shall have been affected by such title defect and if such proceeds, together with any other moneys then available to the Trustee for the purpose of providing for, and are sufficient to provide for, the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall apply such proceeds in accordance with the provisions of Section 7.02 insofar as the same may be applicable.

(iv) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, have been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City.

(c) The Authority shall deliver to the Trustee, in the month of August in each year a schedule setting forth the insurance policies then in force pursuant to this section, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby. Such schedule shall contain a certification by the City's Risk Manager that the insurance evidenced therein meets the requirements of the Property Lease. If so requested in writing by the Trustee, the Authority shall also deliver to the Trustee duplicate originals or certified copies of each insurance policy described in such schedule, provided that delivery to the Trustee of the insurance policies under the provisions of this section shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of said policies.

(d) Notwithstanding anything in this Section 6.13 to the contrary, the City shall have the right to adopt the alternative risk management programs described in Section 6.06 of the Property Lease.

SECTION 6.14. Prosecution and Defense of Suits. The Authority shall promptly, upon request of the Trustee or any Bondowner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Bondowner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The Authority shall defend against every suit, action or proceeding at any time brought against the Trustee or any Bondowner upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee or any Bondowner under this Indenture; provided, that the Trustee or any Bondowner at its election may appear in and defend any such suit, action or proceeding. The Authority shall indemnify and hold harmless the Trustee and the Bondowners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the Bondowners against any attorney's fees or other expenses which any of them may incur in connection with any litigation to which any of them may become a party solely by reason of their ownership of Bonds. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all indebtedness and obligations issued hereunder may have been fully paid and satisfied.

SECTION 6.15. Recordation and Filing. The Authority shall record and file the Property Lease and all such documents as may be required by law (together with whatever else may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order to preserve, protect and perfect fully the security of the Bondowners.

SECTION 6.16. City Budgets. The Authority shall supply to the Trustee, as soon as practicable after the beginning of each Fiscal Year of the City, a determination or documentation that the City has made adequate provision in its proposed annual budget for the payment of rentals due under the Property Lease in the Fiscal Year covered by such budget. The determination or documentation given by the Authority to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all rentals due under the Property Lease in the then current Fiscal Year. If the amounts so budgeted are not adequate for the payment of rentals due under the Property Lease, the Authority will use its best efforts to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the City in the then following Fiscal Year for the payment of rentals due under the Property Lease and will notify the Trustee of the proceedings then taken or proposed to be taken by the City. The Authority will keep the Trustee advised of all proceedings thereafter taken by the City.

SECTION 6.17. Eminent Domain. If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the Trustee in the Insurance and Eminent Domain Proceeds Fund in trust and shall be applied and disbursed by the Trustee as follows:

(a) (1) If the Trustee is furnished with the report specified in Section 6.17(a)(3) to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, and if such report states that such proceeds are not needed for repair or such rehabilitation of the Leased Property, the Trustee shall treat proceeds as Revenues and shall apply such proceeds as provided in Section 5.02.

(2) If the Trustee is furnished with the report specified in Section 6.17(a)(3) to the effect that such eminent domain proceedings have not materially affected the operation of the Leased Property or, even if they have, that such proceedings have not materially affected the ability of the Authority to

meet any of its obligations hereunder, and if such report states that such proceeds are needed for repair or rehabilitation of the Leased Property, the Trustee shall pay to the Authority, or to its order, from said proceeds such amounts as the Authority may expend for such repair or rehabilitation, upon the filing with the Trustee of Requisitions of the Authority specifying the amount to be disbursed and certifying that such amounts have been or will be used to repair or rehabilitate the Leased Property.

(3) The Trustee shall be provided, at the expense of the Authority, the report of an engineer or other appropriate professional, who may be an employee of the City, regarding the extent of such eminent domain proceedings and its effect on the ability of the Authority to meet its obligations under this Indenture and whether the proceeds from the eminent domain proceedings are needed for the repair or rehabilitation of the Leased Property.

(b) If less than all of the Leased Property shall have been taken in such eminent domain proceedings, and if the Trustee is furnished a report of an independent engineer concluding that such eminent domain proceedings have materially affected the operation of the Leased Property or the ability of the Authority to meet any of its obligations hereunder, the Trustee shall apply such proceeds to the redemption of Bonds in the manner provided in Article IV, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption.

(c) If all of the Leased Property shall have been taken in such eminent domain proceedings and if such proceeds, together with any other moneys then available to the Trustee for the purpose, are sufficient to provide for the payment of the entire amount of principal then due or to become due upon the Bonds, together with the interest thereon, so as to enable the Authority to retire all of the Bonds then Outstanding by redemption or by payment at maturity, then the Trustee shall apply such proceeds to the payment of such interest and to such retirement, but only upon the receipt by the Trustee of a Request of the Authority directing such redemption. Alternatively, if the Authority determines that such amounts are insufficient to provide moneys for the purposes specified in the preceding sentence, then the Trustee shall apply such proceeds in accordance with the provisions of Section 7.02 to the extent that the same may be applicable.

(d) After all of the Bonds have been retired and the entire amount of principal due or to become due upon the Bonds, together with the interest thereon, has been paid in full, and all other sums required to be paid hereunder by the Authority have been paid in full, the Trustee shall pay the remainder of such proceeds to the City and the Authority in accordance with their respective interests pursuant to a Certificate of the Authority.

SECTION 6.18. Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Law shall be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

SECTION 6.19. Further Assurances. Whenever and so often as so requested by the Trustee, the Authority will execute and deliver or cause to be executed and delivered promptly all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondowners all rights, interest, powers,

benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture.

SECTION 6.20. Tax Covenants; Rebate Fund.

(a) In addition to the accounts created pursuant to Article V, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated as the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to instructions received from the Authority. The Authority's instructions regarding the Rebate Fund will be consistent with the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States of America. Notwithstanding the provisions of Sections 5.01, 5.02, 8.04 and 10.01 relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account, and the defeasance of Outstanding 2009 Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section 6.20 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall invest all amounts held in the Rebate Fund in Nonpurpose Investments (as defined in the Tax Certificate), as directed by the Authority pursuant to the Tax Certificate.

(b) The Authority will pay or cause to be paid to the United States Department of the Treasury Excess Investment Earnings, if any, required by Section 148(f) of the Code and any Regulations promulgated thereunder at the times required thereby. The Trustee shall disburse the amounts on deposit in the Rebate Fund in accordance with the written direction of the Authority.

(c) The Authority shall not use or permit the use of any proceeds of the 2009 Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the 2009 Bonds to be treated as an obligation not described in Section 103(a) of the Code. In furtherance of this covenant, the Authority shall at all times comply with the provisions of the Tax Certificate.

(d) The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2009 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(e) The Authority shall assure that the proceeds of the 2009 Bonds are not so used as to cause the 2009 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(f) The Authority shall take all actions necessary to assure the exclusion of interest on the 2009 Bonds from the gross income of the Owners of the 2009 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2009 Bonds.

(g) In the event that at any time the Authority is of the opinion that for purposes of this Section 6.20 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Authority shall so instruct the Trustee under this Indenture by written notice containing instructions as to

the yield or yields to which such investments must be restricted. The Trustee shall take such action as may be necessary in accordance with such instructions.

(h) In order to provide for the administration of this Section 6.20, the Authority may provide for the employment of independent attorneys, accountants and consultants, who shall be selected by the Authority with reasonable care and compensated on such reasonable basis as the Authority may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

(i) Notwithstanding any provisions of this Section 6.20 if the Authority shall provide to the Trustee an opinion of nationally recognized bond counsel that any specified action required under this Section 6.20 is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the 2009 Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

(j) Notwithstanding any other provisions of this Indenture, including in particular Article X hereof, the obligation to remit Excess Investment Earnings to the United States of America and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the 2009 Bonds.

(k) The Trustee shall be deemed to have complied with the provisions of this Section if it follows the instructions of the Authority as provided herein and shall have no duty to enforce the compliance by the Authority of the covenants in this Section.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default and Acceleration of Maturities. The following shall each be an "event of default" under this Indenture:

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

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

(c) if there shall be a default under the Property Lease by reason of failure by the City to pay any rental under the Property Lease relating to or in connection with the Leased Property as and when the same becomes due and payable;

(d) if default shall be made by the Authority in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding, provided that such sixty (60) day period shall be extended to one hundred twenty (120) days in the event the City is not able to cure such default within a sixty (60) day period but commenced a good faith effort to cure immediately upon receipt of notice as described above;

(e) if, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or the City or of the whole or any substantial part of their properties, and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control; or

(f) if there shall be a default under the Property Lease for any reason other than as set forth in (c) above;

If one or more such events of default shall occur, then, and in each and every such case during the continuance of such event of default, the Trustee may, and shall, at the direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding, by written notice to the Authority, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable.

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds maturing prior

to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee, on behalf of the Owners of all of the Bonds, shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; provided, however, that no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

In addition to declaring the principal of all of the Bonds, and the interest accrued thereon, to be immediately due and payable as set forth above, the Trustee shall have the right to pursue any other remedy provided by law or in equity or otherwise after an Event of Default has occurred.

SECTION 7.02. Application of Funds Upon Acceleration. All of the Revenues and all sums in the Revenue Fund upon the date of the declaration of acceleration, as provided in Section 7.01 and all sums thereafter received by the Trustee hereunder shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee and of the Bondowners in declaring such event of default, and including reasonable compensation to its or their agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest, to the extent permitted by law, on the overdue principal and installments of interest at the rate equal to the rate per annum on such Bonds (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 7.03. Trustee to Represent Bondowners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and owning the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Property Lease, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an event of default or other occasion giving rise to a right in the Trustee to represent the Owners of the Bonds, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effective to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the

execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Property Lease, the Law or any other law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.04. Bondowners' Direction of Proceedings. The Owners of at least fifty percent (50%) in aggregate principal amount of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

SECTION 7.05. Limitation on Bondowners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Property Lease, the Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an event of default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

SECTION 7.06. Non-waiver. Nothing in this Article VII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest (and premium, if any) on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as herein provided, out of the Revenues herein pledged for such payments or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds. No delay or omission of the Trustee or of any Bondowner to exercise any right or power arising upon the happening of any event of default

shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given by this Article VII to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient.

SECTION 7.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of Bonds is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Trustee; Acceptance; Removal; Resignation.

(a) The Trustee accepts and agrees to perform its duties and obligations specifically imposed upon it by this Indenture, and no implied duties shall be read into this Indenture against the Trustee. After the occurrence of an Event of Default, in performing its duties hereunder, the Trustee shall exercise the level of care that a reasonable person would exercise in the conduct of his or her affairs.

(b) The Authority agrees that it will maintain a Trustee located in or incorporated under the laws of the State of California, duly authorized to exercise trust powers and subject to supervision or examination by federal or state authority, with a combined capital and surplus, together with its parent bank holding company and other subsidiaries of at least Seventy-Five Million Dollars (\$75,000,000), so long as any Bonds are Outstanding. If such bank or trust company or parent bank holding company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this section the combined capital and surplus of such bank or trust company or parent bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) The Trustee is hereby authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption, or on purchase by the Trustee prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. All moneys deposited under the provisions of this Indenture with the Trustee shall be held in trust and applied only in accordance with the provisions of this Indenture.

(d) The Authority, unless the Authority is in default hereunder, may remove the Trustee initially appointed, and any successor thereto, and may appoint a bank or trust company meeting the requirements in this Section 8.01 set forth above as successor thereto. The Trustee shall also be removed at any time at the request of the Owners of the majority of aggregate principal amount of Bonds then Outstanding, for any breach of fiduciary duty arising in connection with this Indenture.

(e) The Trustee may at any time resign by giving prior written notice to the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by a successor Trustee acceptable to the Authority. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such

predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, power trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts hereunder to the City and by mail to the Bondowners at the addresses shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(f) Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

SECTION 8.02. Liability of Trustee.

(a) The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Authority, and the Trustee does not assume any responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Property Lease or of the Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it.

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

(c) No provision of this Trust Indenture, the Property Lease or any other document related hereto shall require the Trustee to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder, if the Trustee shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured.

(d) Before taking any action under Article VII hereof, the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder except liability and expenses incurred as a result of its own negligence or willful misconduct.

(e) The indemnities and releases extended to the Trustee hereunder also extend to its directors, officers, employees and agents.

(f) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee, except to the extent of its own negligence or willful misconduct.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(h) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers.

(i) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

SECTION 8.03. Security for Deposits. Moneys allocated to any of the funds established pursuant to this Indenture may, and upon the Request of the Authority, shall be deposited by the Trustee in banks, including the Trustee, in time or demand deposits. Money so deposited shall be secured at all times, in the manner provided by law by direct obligations of the United States of America, obligations the principal of and interest on which are guaranteed by the United States of America, or bonds of the State of California or any local jurisdiction within California, with a market value at least equal to the amount required by law, but in no event less than the amount of moneys in each of said funds to be so secured.

SECTION 8.04. Investment of Moneys in Funds.

(a) Any moneys in any of the funds established by the Trustee pursuant to this Indenture, upon the Request of the Authority (at the written direction of the City), shall be invested in Permitted Investments (subject in each case to the limitations as to maturities hereinafter in this section set forth). The Trustee shall notify the City not less than two (2) Business Days prior to the date moneys held hereunder will be available for investment requesting that the City cause the Authority to deliver to the Trustee a Request of the Authority specifying the Permitted Investments to be acquired by the Trustee with such moneys. In the absence of directions from the City, the Trustee shall invest in Permitted Investments specified in clause (f) of the definition of Permitted Investments set forth in Section 1.01. The Authority, in issuing such Request, shall comply with the restrictions and instructions set forth in the Tax Certificate.

(b) Moneys in the Interest Fund and the Principal Fund may be invested in obligations which will, as nearly as practicable, mature on or before the respective Interest Payment Dates or Principal Payment Dates on which such moneys will be needed for the payment of interest or the retirement of Bonds. Moneys in the Reserve Fund may be invested in Permitted Investments maturing the earlier of the maturity date of the Bonds or five years, unless such moneys will be needed sooner for the payment of principal of or interest on the Bonds or such money is invested pursuant to clause (h) of the definition of Permitted Investments and, pursuant to such investment, is available as needed without penalty to pay debt service on the Bonds, when due.

(c) The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

(d) Any interest, profit or other income on such investment of moneys in the funds or accounts created hereunder (other than the Rebate Fund and the Improvement Fund) shall be deposited when received in the Revenue Fund. Any such interest, profit or other income on amounts on deposit in the Improvement Fund shall be retained therein unless the Trustee is

otherwise directed by the Authority or the City to deposit it in the Revenue Fund. Notwithstanding the above, any interest, profit or other income on such investment of moneys in the Reserve Fund to be transferred to the Revenue Fund or the Rebate Fund pursuant to Section 5.02(c) hereof shall be so transferred annually on or before each June 1.

(e) Any Permitted Investment that is registrable shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee.

(f) The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, however, that the Authority shall be entitled to receive brokerage confirmations with respect to any transaction upon request. The Trustee will furnish the Authority monthly cash transaction statements as soon as possible after the end of each month which include detail for all investment transactions made by the Trustee hereunder.

(g) The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any Permitted Investment and shall be entitled to its customary fee therefor.

(h) The moneys on deposit in the funds and accounts established under this Indenture shall not be deemed "surplus" under Section 53601 of the Government Code.

(i) All investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code).

SECTION 8.05. Notice; Acceptance of Trusts.

(a) The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

(c) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a

Certificate of the Authority, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(d) The Trustee shall not be deemed to have notice of an event of default unless it has actual notice thereof at its Principal Corporate Trust Office.

SECTION 8.06. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, as set forth in the fee letter attached hereto as Exhibit B, and the Authority will pay or reimburse the Trustee upon its request, in accordance with such fee letter as may be in effect, for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including reasonable costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Property Lease. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the discharge of the Bonds and this Indenture and the resignation or removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01. Amendments Permitted. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a supplement or amendment hereto which shall become effective when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02. No such supplement or amendment shall (1) extend the fixed maturity of any Bonds or reduce the interest rate thereon or extend the time of payment of interest, or reduce the amount of principal thereof or reduce any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of this Indenture, or (3) modify any of the rights or obligations of the Trustee without the written assent thereto by the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority which in either case shall not adversely affect the interests of the Owners of the Bonds;
- (b) to cure, correct or supplement any ambiguous or defective provision contained in this Indenture or in regard to questions arising under this Indenture, as the Authority may deem necessary or desirable and not inconsistent with this Indenture, and which shall not adversely affect the interests of the Owners of the Bonds;
- (c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said Act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;
- (d) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes;
- (e) to maintain a rating on the Bonds;
- (f) to modify any of the provisions of this Indenture in any other respect, including the substitution of a Reserve Fund Credit Facility as set forth in Section 5.02(c), provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds; or
- (g) to provide for the issuance of Additional Bonds pursuant to Section 2.14 hereof.

SECTION 9.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City or by an obligor on the Bonds, or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the Authority or the City (except any Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Indenture.

SECTION 9.03. Effect of Supplement or Amendment. From and after the time any supplement or amendment to the Indenture becomes effective pursuant to this Article this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Indenture of the Authority and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such supplement or amendment shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.04. Endorsement or Replacement of Bonds Issued After Amendments. The Authority may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Authority, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of this Bond for the purpose at the office of the Authority or at such other office as the Authority may select and designate for that purpose, a suitable notation shall be made on such Bond. The Authority may determine that new Bonds so modified as in the opinion of the Authority necessary to conform to such Bondowners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond shall be exchanged in the Principal Corporate Trust Office of the Trustee, without cost to such Owner and at the expense of the Authority, for a Bond of the same character then outstanding, upon surrender of such Bond.

SECTION 9.05. Amendatory Endorsement of Bonds. The provisions of this Article shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him, provided that due notification thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Indenture. If the Authority shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust, at or before maturity, money in the necessary amount to pay or redeem all Bonds Outstanding;

(c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding;
or

(d) by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust, Defeasance Obligations not subject to call prior to the date they would be used to pay the Bonds hereunder in such amount as will, together with the income or increment to accrue thereon, be fully sufficient, in the opinion of an independent certified public accountant, to pay and discharge the indebtedness on all Bonds at or before their respective maturity dates;

and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority including, without limitation, all fees and expenses of the Trustee due hereunder, including reasonable attorneys' fees, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority signifying its intention to pay and discharge all such indebtedness and that this Indenture and all other obligations of the Authority under this Indenture shall cease and terminate, which shall be filed with the Trustee), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Revenues provided for in this Indenture and all other obligations of the Authority under this Indenture shall cease and terminate, except as otherwise provided in Sections 6.20, 8.06 and 10.05 hereof and except for the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon. The discharge of the obligations of the Authority under this Indenture shall be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Authority for any expenditures which it may thereafter incur in connection herewith.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or Government Obligations in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provisions

satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged and the Owners thereof shall thereafter be entitled only to payment out of the money or Government Obligations deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Sections 10.03 and 10.05 hereof.

SECTION 10.03. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for two (2) years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture) shall then be repaid to the Authority upon a Request of the Authority, and the Owners of such Bonds shall thereafter be entitled to look only to the Authority for payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may cause to be mailed to the registered Owners of such Bonds at their addresses as they appear on the registration books of the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Authority as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be general creditors of the Authority for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Authority (without interest thereon).

SECTION 10.04. Amounts Remaining in Funds and Accounts. Notwithstanding any other provision of this Indenture, it is agreed by the parties hereto that after payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Trustee in accordance with the Indenture and (iii) all other amounts required to be paid under the Indenture, any amounts remaining in any fund or account held by the Trustee under the Indenture (other than amounts held in the Rebate Fund) shall belong to the City, and shall be paid to the City by the Trustee.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of Authority Limited to Revenues. The Authority shall not be required to take any action not expressly provided for herein and its obligation with respect to the Bonds shall be limited as described herein. Notwithstanding anything in this Indenture, the Authority shall not be required to pay or advance any moneys derived from any source other than the Revenues for the payment of the principal of or interest (and premium, if any) on the Bonds, for the maintenance and operation of the Leased Property, or for any other purpose of this Indenture. Nevertheless, the Authority may advance, but shall not be required under any circumstances whatsoever, for any of the purposes hereof, any funds of the Authority which may be made available to it for such purposes.

The Bonds are special obligations of the Authority and are payable, as to interest thereon and principal thereof, exclusively from Revenues, and the Authority is not obligated to pay them except from Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds, to the extent set forth in this Indenture. The Bonds are not a debt of the Agency, the City, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority pledged therefor provided in this Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties and Bondowners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee and the Owners of the Bonds issued hereunder, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition, stipulation or provisions herein or herein contained; and all such covenants, conditions, stipulations and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee and the Owners of the Bonds issued hereunder.

SECTION 11.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, upon the Request of the Authority, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Authority.

SECTION 11.06. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have adopted this Indenture and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties hereunder, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest with the Authority in trust for the benefit of the Bondowners.

SECTION 11.07. Notices. All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City
or the Authority:

City of Beverly Hills
450 North Rexford Drive
Beverly Hills, California 90210
Attention: Director of Administrative Services and Chief
Financial Officer
Telephone: (310) 285-2411
Fax: (805) 525-6278

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust
Telephone: (213) 615-6024
Fax: (213) 615-6199

SECTION 11.08. Evidence of Rights of Bondowners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bondowners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondowners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the

certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof; or in any other manner which the Trustee may deem sufficient.

The ownership of Bonds, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the bond registration books held by the Trustee.

Any request, consent or declaration of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority pursuant to such request, consent or declaration.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any action pursuant to this Indenture, Bonds which are disqualified as provided in Section 9.02 shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so disqualified shall be disregarded. Bonds so disqualified which have been pledged in good faith may be regarded as Outstanding for the purpose of this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person whose ownership of the Bonds would cause the Bonds to be disqualified pursuant to Section 9.02. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.09. Article and Section Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 11.10. Third-Party Beneficiary. To the extent that this Indenture confers upon or gives or grants to the City any right, remedy or claim under or by reason of this Indenture, the City is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right or remedy or claim conferred, given or granted hereunder.

SECTION 11.11. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with industry practices and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or for anything else contained in this Indenture; but nothing

herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 11.13. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

SECTION 11.14. Counterparts. This Indenture may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their officers duly authorized as of the date first above written.

**CITY OF BEVERLY HILLS PUBLIC FINANCING
AUTHORITY**

By _____
Chief Financial Officer

**U.S. BANK NATIONAL ASSOCIATION,
*as Trustee***

By _____
Authorized Officer

EXHIBIT A

[FORM OF BOND]

No. R-__

\$ _____

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 LEASE REVENUE BOND
(CAPITAL IMPROVEMENT AND REFUNDING PROJECT)

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>CUSIP</u>
June 1, ____		November __, 2009	

Registered Owner: CEDE & CO.

Principal Amount:

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and pursuant to the laws of the State of California (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter mentioned) the registered owner specified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter mentioned) the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an interest payment date, in which event it shall bear interest from the date of authentication hereof, or unless this Bond is authenticated after a record date and before an interest payment date, in which event it shall bear interest from the next succeeding interest payment date, or unless this Bond is authenticated on or prior to May 15, 2010 in which event it shall bear interest from the date hereof) until payment of such Principal Amount in full as provided in the Indenture hereinafter mentioned, at the rate of interest specified above, payable semiannually on June 1 and December 1 in each year, commencing June 1, 2010, by check mailed to such registered owner; provided that upon the request of any owner of at least \$1,000,000 in aggregate principal amount of Bonds, such payment shall be made by wire transfer in immediately available funds to an account within the continental limits of the United States designated by such owner. The principal (or redemption price) hereof is payable at the Corporate Trust Office (as defined in the Indenture hereinafter mentioned) of U.S. Bank National Association (herein called the "Trustee").

This Bond is one of a duly authorized issue of Bonds of the Authority designated as the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (herein called the "Bonds"), of an initial aggregate principal amount of \$ _____ issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California (herein called the "Law"), and pursuant to an Indenture, dated as of November 1, 2009, by and between the Authority and the Trustee (herein called the "Indenture"), authorizing the issuance of the Bonds.

Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee) and all Indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees.

The proceeds of the Bonds will be used by the Authority for the purposes and on the terms and conditions set forth in the Indenture and in the Property Lease, dated as of November 1, 2009, by and between the Authority, as lessor, and the City of Beverly Hills (the "City"), as lessee (herein called the "Property Lease"). This Bond and the interest hereon and all other Bonds and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a pledge and assignment of, the Revenues derived from a portion of the amounts payable by the City under the Property Lease. Except to the extent set forth in the Indenture, all such Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, and for the security and payment of interest on the Bonds; but nevertheless, in accordance with the Indenture, out of Revenues certain amounts may be applied for other purposes as provided in the Indenture. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds and any Additional Bonds, which may be issued only in accordance with the terms of the Indenture.

The Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the aforementioned Revenues as specified herein and in the Indenture. Neither the payment of the principal of the Bonds, nor any interest thereon, constitutes a debt, liability or obligation of the City, the Authority or the State of California. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The rights and obligations of the Authority and the holders of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (1) extend the fixed maturity of this Bond or reduce the rate of interest hereon or extend the time of payment of interest, or reduce the amount of the principal hereof or reduce any premium payable upon the redemption hereof, without the consent of the holder hereof, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, all as more fully set forth in the Indenture.

The Bonds are subject to redemption on any date without premium under the circumstances prescribed and as provided in the Indenture, as a whole or in part, through the application of proceeds of insurance and eminent domain proceedings.

The Bonds maturing on or after June 1, 20__ are also subject to redemption prior to their stated maturity on or after June 1, 20__, at the option of the Authority, as a whole on any date or in part on any date, from such maturities as are selected by the Authority as set forth in a Request of the Authority, from any source of available funds other than insurance or eminent domain proceeds, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

The Bonds maturing on June 1, 20__, June 1, 20__ and June 1, 20__ are subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking fund payments provided for in the Indenture, on any June 1 on or after June 1, 20__, June 1, 20__ and June 1, 20__, respectively, upon payment of the principal amount thereof and interest accrued thereon to the date fixed for redemption, as set forth below (subject to modification in the event of mandatory or optional redemption mentioned above):

<u>Bonds Maturing June 1, 20__</u>		<u>Bonds Maturing June 1, 2028</u>	
<u>Redemption Date</u>	<u>Principal</u>	<u>Redemption Date</u>	<u>Principal</u>
<u>(June 1)</u>	<u>Amount</u>	<u>(June 1)</u>	<u>Amount</u>

* Maturity

<u>Bonds Maturing June 1, 20__</u>	
<u>Redemption Date</u>	<u>Principal</u>
<u>(June 1)</u>	<u>Amount</u>

*Maturity

As provided in the Indenture, notice of redemption shall be mailed, by first class mail, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of Bonds designated for redemption, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. The Authority shall have the right in certain instances to rescind notices of redemption as provided in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an event of default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable only as fully registered Bonds without coupons in the denomination of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be

exchanged for a like aggregate principal amount of fully registered Bonds of any other authorized denominations subject to the conditions and restrictions contained in the Indenture.

This Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds without coupons of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Authority and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is required by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Beverly Hills Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its _____ and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY

By _____

Attest:

Secretary

**[FORM OF TRUSTEE'S
CERTIFICATE OF AUTHENTICATION]**

This is one of the Bonds described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

DATED: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM--as tenants in common

TEN ENT--as tenants by the entireties

JT TEN--as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT-- _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

**ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE**

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: This signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B
FORM OF
IMPROVEMENT FUND DISBURSEMENT REQUEST

DISBURSEMENT REQUEST NO.: _____

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust

Re: \$ _____ City of Beverly Hills Public Financing Authority 2009
Lease Revenue Bonds (Capital Improvement and Refunding Project)

Ladies and Gentlemen:

In accordance with the terms of an Indenture, by and between you and the undersigned, dated as of November 1, 2009 (the "Indenture"), you are hereby authorized and requested to make immediate disbursement of funds held by you in the Improvement Fund for costs of acquiring, construction and equipping the Improvement (as defined in the Indenture) pursuant to Section 3.03 of the Indenture.

You are hereby requested to pay from the Improvement Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the costs of acquiring, constructing and equipping the Improvement, as described on said Schedule.

The undersigned hereby certifies that (i) no part of the amount requested herein has been included in any other request previously filed with you; (ii) to the knowledge of the undersigned, there has not been filed with or served upon the City any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iii) the labor, services and/or materials covered hereby have been performed upon or furnished to the Improvement and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 200_.

CITY OF BEVERLY HILLS

By: _____
Designated Officer

SCHEDULE A

<u>Payee</u> <u>(include address)</u>	<u>Description</u> <u>of Costs</u>	<u>Amount</u>
--	---------------------------------------	---------------

Recording Requested By
CITY OF BEVERLY HILLS

When Recorded Mail To:
Stephen G. Melikian
JONES HALL, A PROFESSIONAL LAW CORPORATION
650 California Street, 18TH Floor
San Francisco, California 94108

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

PROPERTY LEASE

By and Between the

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY,
as Lessor**

and the

**CITY OF BEVERLY HILLS,
as Lessee**

Dated as of November 1, 2009

Relating to

**\$ _____
City of Beverly Hills Public Financing Authority
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)**

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PROPERTY LEASE

THIS PROPERTY LEASE (this "Property Lease"), made and entered into as of November 1, 2009, by and between the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the CITY OF BEVERLY HILLS, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the "City").

RECITALS

WHEREAS, the City desires to obtain financing and refinancing to pay the costs incurred and to be incurred with respect to the acquisition and construction of certain improvements (the "Improvement") described in Exhibit C hereto by leasing to the Authority certain real property (the "Site") and the improvements thereon (the "Facility" and together with the Site, the "Leased Property"), which Site is described in Exhibit A hereto and incorporated herein by reference, pursuant to the Site and Facility Lease dated as of November 1, 2009 (the "Site Lease"), which is being recorded concurrently herewith, between the City, as lessor, and the Authority, as lessee; and;

WHEREAS, the Authority will issue its \$ _____ principal amount of City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds") pursuant to that certain Indenture (the "Indenture"), of even date herewith, between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and evidenced by a Memorandum of Assignment dated as of November 1, 2009 and recorded concurrently herewith; and

WHEREAS, the Authority will use, or caused to be used, a portion of the proceeds of the Bonds (i) for the acquisition and construction of the Improvement and (ii) to refinance certain existing lease obligations previously entered into between the Authority and the City;

WHEREAS, pursuant to this Property Lease, the Authority will lease the Leased Property back to the City; and

WHEREAS, the Authority will use amounts received from the City as Base Rental (as hereinafter defined) to pay debt service on the 2009 Bonds; and

WHEREAS, the City has found and determined that the issuance of the Bonds and the execution of this Property Lease will result in significant public benefits to the City within the contemplation of Section 6586 of the California Government Code; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of the Property Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Property Lease; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall have the meanings herein specified for all purposes of this Property Lease, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

"Addition" shall have the meaning assigned to such term in Section 12.03.

"Additional Bonds" means Additional Bonds issued in accordance with Sections 2.14 and 2.15 of the Indenture.

"Additional Rental" means all amounts payable to the Authority from the City as Additional Rental pursuant to Section 3.02 hereof.

"Agreement" shall mean that certain Joint Exercise of Powers Agreement, dated as of November 10, 1992, by and among the City and the Parking Authority of the City of Beverly Hills, creating the Authority, together with any amendments thereof and supplements thereto.

"Base Rental" means all amounts payable to the Authority by the City as Base Rental pursuant to Section 3.01 hereof.

"Base Rental Payment Date" means any date on which Base Rental is scheduled to be paid hereunder, being May 25 and November 25 of each year, commencing on May 25, 2010 (subject to the provisions of Section 3.06 hereof).

"Base Rental Payment Schedule" means the schedule of Base Rental payments payable to the Authority from the City pursuant to Section 3.01 hereof, as set forth in Exhibit B hereto.

"Bonds" means the 2009 Bonds and any Additional Bonds.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which commercial banks located in the city in which the principal corporate trust office of the Trustee is located are authorized or required by law to close.

["Certificate of Substantial Completion" means the notice filed with the Trustee by the City pursuant to Section 4.02 of the Property Lease in the form attached to the Property Lease as Exhibit D.]

"City" means the City of Beverly Hills, a municipal corporation duly organized and existing under the laws and the Constitution of the State of California.

"Code" means the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code, when appropriate.

"Defeasance Obligations" means:

(a) Government Obligations; and

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

"Facility" means the improvements constructed or to be on the Site.

"Government Obligations" means and includes any of the following securities: cash; State and Local Government Series notes issued by the United States Treasury; United States Treasury bills, notes and bonds as traded on the open market; zero coupon United States Treasury bonds; and interest strips of the Resolution Funding Corporation for which separation of principal and interest is made by a Federal Reserve Bank in book-entry form.

"Improvement" means (i) the acquisition, construction and installation of a water tower to be located at _____ and (ii) and any other capital improvements approved by the City Council, all as set forth and as described in Exhibit C attached to this Property Lease.

"Indenture" means the Indenture dated as of November 1, 2009, by and between the Authority and the Trustee authorizing the issuance of the 2009 Bonds, as it may from time to time be amended or supplemented by any supplemental trust agreement adopted or entered into pursuant to the provisions thereof.

"Interest Payment Date" means June 1 and December 1 of each year, commencing on June 1, 2010.

"Lease Year" means the period from the date of the issuance and delivery of the 2009 Bonds to May 31, 2010, and thereafter the period from each June 1 to and including May 31 of the next succeeding calendar year during the term of this Property Lease.

"Leased Property" means the Site and the Facility.

"1999 Prior Lease" means the Lease Agreement, dated as of July 1, 1998, between the City and the Authority, as heretofore amended.

"Opinion of Bond Counsel" means a written opinion of an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and

their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Owner" means the registered owner of any of the Bonds.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Site Lease and the Property Lease; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of initial delivery of the Bonds and which the City certifies in writing will not materially impair the use of the Leased Property by the City; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Leased Property and to which the Authority and the City consent in writing and which do not materially impair the use or the value of the Leased Property.

"Principal Payment Date" means each June 1 on which the principal of the Bonds is scheduled to be paid, commencing June 1, 2010.

"Property Lease" means this lease, as it may be amended in accordance with the terms hereof.

"Risk Manager" means such person or firm of favorable reputation, qualified and experienced in the field of insurance and risk management consultation with respect to structures of the same nature as the Facility, as may from time to time be designated by the City, and who may be employed by the City.

"Site" means the real property described in Exhibit A attached hereto and made a part hereof, and, as appropriate, any site relating to Substitute Leased Property.

"Site Lease" means the Site and Facility Lease dated as of November 1, 2009 between the City, as lessor, and the Authority, as lessee, as it may be amended in accordance with the terms thereof.

["Substantial Completion" means the construction and substantial readiness of the Improvement for use and occupancy by the City for its intended purpose (subject to completion of punch list items).]

"Substitute Leased Property" means any and all real property and the improvements thereon in the City and all additions and extensions or improvements thereto that are hereafter described as Substitute Leased Property by an amendment to this Property Lease as provided herein.

"Substitution" means the release of the Leased Property or any portion thereof from the leasehold hereof and the lease of a Substitute Leased Property hereunder as provided in Article XII.

"Trustee" means U.S. Bank National Association, as trustee under the Indenture.

"2001 Prior Lease" means the Lease Agreement, dated as of December 1, 2001, between the City and the Authority, as heretofore amended.

"2009 Bonds" means the \$_____ initial principal amount of City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project).

ARTICLE II

LEASE OF LEASED PROPERTY; TERM

Section 2.01. Lease of Leased Property. The Authority hereby leases to the City, and the City hereby hires from the Authority, the Leased Property on the terms and conditions hereinafter set forth. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes, subject to and consistent with all agreements and leases with respect thereto theretofore entered into it, so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and therein and in the Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property. The Authority and the City are entering into this Property Lease in order to finance the Improvement and to refinance, in full, the 1999 Prior Lease and the 2001 Prior Lease.

Section 2.02. Term. The term hereof shall commence on the date of recordation hereof, and shall end on May 31, 20__, or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than May 31, 20__). If on May 31, 20__, or on such later date determined pursuant to the preceding sentence, the Indenture shall not be discharged by its terms, then the term of the Property Lease shall be extended until ten (10) days after the Indenture shall be discharged by its terms, except that the term of the Property Lease shall in no event be extended beyond May 31, 20__ or the date that is ten (10) years after such later date determined pursuant to the preceding sentence. If prior to May 31, 20__ or such later date the Indenture shall be discharged by its terms, then the term of the Property Lease shall terminate ten (10) days after such discharge.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Base Rental. The City shall pay to the Authority as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of Sections 2.02, 3.03, 3.06 and 8.01 of this Property Lease) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in Exhibit B. Base Rental shall be payable on each Base Rental Payment Date during the term of this Lease. Base Rental shall be for the use and occupancy of the Leased Property for the Lease Year in which such May 25 and November 25 occurs, provided that the Base Rental paid on any May 25 or November 25 shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of this Property Lease is extended pursuant to Section 2.02 hereof, the payments of Base Rental will continue until this Property Lease terminates in accordance with Section 2.02 hereof.

The City shall provide written notice to the Trustee at least ten (10) Business Days prior to any Base Rental Payment Date upon which the City expects to be unable to pay all or any portion of the Base Rental payment due on such Base Rental Payment Date, informing the Trustee of such expectation.

The City shall receive a credit for any Base Rental payment if and to the extent a credit is due to the City pursuant to the last sentence of Section 3.04 hereof.

Section 3.02. Additional Rental. The City shall also pay to the Authority (but only after payment of Base Rental), as Additional Rental hereunder such amounts as shall be required by the Authority for the payment of the following:

(a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received hereunder for the retirement of the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges).

(b) All reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

(c) Insurance premiums for all insurance required pursuant to Article VI of this Property Lease and not obtained by the City.

(d) Amounts payable by the Authority to the provider of any Reserve Fund Credit Facility in connection with the 2009 Bonds or any Additional Bonds that are not paid from Base Rental payments (but only to the extent that the payment of such

amounts do not cause the amount of Base Rental and Additional Rental paid during any Lease Year to exceed the fair rental value of the Leased Property during such Lease Year.

(e) Amounts, if any, required to be rebated by the Authority to the United States of America pursuant to Section 6.20(b) of the Indenture.

Such Additional Rental shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Section 3.03. Fair Rental Value. Such payments of the foregoing Base Rental and Additional Rental during the term of this Property Lease shall constitute the total rental for the City's use and occupancy of the Leased Property for the Lease Year in which such payments are scheduled to be made, and the parties hereto have agreed and determined that such total rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the costs of financing and leasing of the Leased Property by the Authority, the uses and purposes which may be served by the Leased Property, and the benefits which will accrue to the Authority, the City and the general public therefrom.

Notwithstanding any other provision of this Property Lease, in the event that rental payments due hereunder shall be abated partially for any period of time, the rental payments due for such period of time shall not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time.

Section 3.04. Payment Provisions. Each installment of Base Rental and Additional Rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any delinquent installment of Base Rental payable hereunder shall be deposited in the Reserve Fund created under the Indenture, and, except as otherwise provided herein, any such installment of Base Rental or Additional Rental accruing hereunder which shall not be paid when due shall, from and after such due date until paid, bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law. Notwithstanding any dispute between the Authority and the City, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due hereunder or, at the City's option, refunded at the time of such determination.

Section 3.05. Appropriations Covenant. The City covenants to take such action as may be necessary to include all Base Rental payments and Additional Rental due hereunder in its annual budgets and to make necessary annual appropriations for all such rental payments. The City will deliver to the Authority and the Trustee copies of the portion of each proposed City budget relating to the payment of rentals hereunder within thirty (30) days after the first publication of notice of hearing thereof and of the portion of the appropriation or budget resolution relating to the payment of rentals hereunder within thirty (30) days after the filing or

adoption thereof. In no event shall any of the deliveries described in the preceding sentence be delivered later than October 1 of each calendar year. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Property Lease agreed to be carried out and performed by the City.

Section 3.06. Rental Abatement.

(a) During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due hereunder shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease shall continue in full force and effect. Subject to Section 3.03 hereof, in the case of abatement relating to the Leased Property, the amount of abatement shall be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City shall calculate such abatement and shall provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of this Property Lease shall be extended by the period during which the rental is abated hereunder, except that the term shall in no event be extended beyond the term set forth in Section 2.02 hereof. Notwithstanding the foregoing, the City will still be obligated to apply amounts legally available to the City for payments due hereunder, including without limitation, amounts available pursuant to Section 5.02 of the Indenture (including all subsections thereof), amounts described in (b) below, amounts described in Section 8.01, and amounts available under Section 6.13 of the Indenture.

(b) The City hereby acknowledges and agrees that during any period of abatement with respect to all or any part of the Site, the City shall use the proceeds of rental interruption insurance maintained pursuant to Section 6.03 hereof and moneys on deposit in the Reserve Fund maintained under the Indenture to make debt service payments on the Bonds.

Section 3.07. Application of Rental Payments. All rental payments received shall be applied first to the Base Rental payments due hereunder, and then to the Additional Rental payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 3.08. Prepayment of Rental Payments.

(a) To the extent required by Sections 6.13 or 6.17 of the Indenture, the City shall prepay, from net insurance proceeds or eminent domain proceeds, all or any portion of the Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Bonds being redeemed in integral multiples of five

thousand dollars (\$5,000) so that the aggregate annual amount of Bonds maturing in each year after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Such prepayment shall be apportioned among Base Rental payments such that Bonds will be redeemed on a proportionate basis among maturities.

(b) The City may prepay, from any source of available funds, all or any portion of the principal components of the Base Rental payments relating to the 2009 Bonds due on or after May 25, 20__, (i) in whole on any date on or after June 1, 20__, or (ii) in part on any date in amounts which result in Bonds being redeemed in integral multiples of five thousand dollars (\$5,000) on any date on or after June 1, 20__, from such Base Rental payments as are selected by the Authority as set forth in a Request of the Authority, in each case at a prepayment price equal to the sum of the Bonds being redeemed plus accrued interest thereon to the date of prepayment, without premium.

(c) Before making any prepayment pursuant to this section, the City shall, within five (5) Business Days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made, which date shall be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given.

Section 3.09. Governmental Relief. The Authority and the City hereby covenant that they will each use their best efforts to appropriate funds and apply for any grants, loans or other relief available from the State or federal government in order to obtain amounts necessary to rebuild any portion of the Leased Property destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage.

Section 3.10. No Obligation to Pay Rent for Future Years. Notwithstanding any other provision of this Property Lease, the City shall in no event be obligated to pay rental due hereunder in any Lease Year for any succeeding Lease Year.

ARTICLE IV

TITLE TO THE LEASED PROPERTY; ACQUISITION AND CONSTRUCTION OF IMPROVEMENT

Section 4.01. Title to the Leased Property. During the term of the Property Lease, the Authority shall hold a leasehold interest in the Leased Property pursuant to the Site Lease. Title to all moveable property that is placed in or about the Leased Property by the City during the term of the Property Lease shall remain in the City during the term of the Property Lease.

The Authority's interest in and title to the Leased Property shall be transferred, conveyed and assigned to and become vested in the City and the Property Lease shall terminate with respect thereto at the end of the term hereof, upon payment in full of all rental payments due hereunder pertaining to the Leased Property, and the Authority will execute and deliver such conveyances, registration documents and other instruments as may be necessary to effect such vesting of record.

Section 4.02. Acquisition and Construction of the Improvement. The City agrees to construct or cause the acquisition, construction and equipping of the Improvement financed with the proceeds of the 2009 Bonds. The City shall use its best efforts to cause the acquisition, construction and installation to be performed diligently to the end that such Improvement will be substantially completed by _____, 20___. The City shall cause the acquisition, construction and installation of such Improvement to be completed in accordance with any applicable requirements of governmental authorities and law. [Upon Substantial Completion of the Improvement, the City shall promptly deliver to the Trustee a Certificate of Substantial Completion in the form attached hereto as Exhibit D].

Payment for the costs of the acquiring, constructing and installing the Improvement, including reimbursement to the Authority and the City for any payments made for or in connection with the acquiring, constructing and installing of the Improvement prior to or subsequent to the date of issuance of the 2009 Bonds, shall be made from money deposited in the Improvement Fund which shall be disbursed for this purpose in accordance and upon compliance with Section 3.03 of the Indenture.

ARTICLE V

MAINTENANCE OF THE LEASED PROPERTY; ALTERATIONS AND ADDITIONS

Section 5.01. Maintenance and Utilities. Throughout the term of this Property Lease, as part of the consideration for rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, sewer and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the rental payments herein provided, the Authority agrees to provide only the use, possession and quiet enjoyment of the Leased Property.

Section 5.02. Changes to the Leased Property. Subject to the approval of the Authority, the City shall have the right during the term of this Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. The City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

ARTICLE VI

INSURANCE

Section 6.01. General Liability and Automobile Liability Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, general liability insurance naming the Authority, its members, officers, agents and employees, the Trustee and the City and its officers, agents and employees as insured parties. Said policy or policies shall insure said parties against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in the minimum amount of \$5,000,000 combined single limit for bodily and personal injury, death and property damage per occurrence.

Section 6.02. Property Insurance.

(a) Throughout the term of this Property Lease, the City shall maintain or cause to be maintained fire and lightning (i.e., property) insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost of such structures (less a deductible amount of not more than \$1,000,000) or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, if such coverage is commercially available in reasonable amounts at reasonable cost on the open market from reputable insurance companies.

(b) Throughout the term of this Property Lease, the City will maintain, or cause to be maintained, earthquake insurance with respect to the Leased Property if it is obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies (as determined in the sole discretion of the City).

(c) The City shall provide, or cause to be provided by the Authority, the title insurance required by Section 6.13(b) of the Indenture.

(d) Each policy of insurance described in this Section 6.02 shall contain a replacement cost endorsement providing for no deduction for depreciation and a stipulated amount endorsement.

Section 6.03. Rental Income Interruption Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, rental income interruption insurance in an amount not less than the total Base Rental payable by the City pursuant to this Property Lease during the next succeeding twenty-four (24) months, plus the Additional Rental expected to be payable pursuant to this Property Lease for such period, to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by Section 6.02 of this Property Lease.

Section 6.04. Insurance Proceeds; Forms of Policies. So long as any of the Bonds remain outstanding, all policies of insurance required by Sections 6.02 and 6.03 hereof shall

provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association, and all amounts so paid to the Trustee shall be applied as provided in the Indenture. Following payment in full of all rental payable hereunder, or provision therefor made, all such proceeds of insurance shall be paid to the Authority and to the City as their respective interests may appear. The City agrees to comply with all of the provisions set forth in Section 6.13 of the Indenture with respect to the proceeds of insurance including, without limitation, the requirement to repair and rehabilitate the Leased Property set forth in the last sentence of Section 6.13(a)(v) of the Indenture.

Section 6.05. Additional Provisions Relating to Insurance. All policies of insurance required by this Property Lease shall be in form certified by the City's Risk Manager to be in compliance with the requirements of this Property Lease. The City shall pay when due the premiums for all insurance policies required by this Property Lease, and promptly shall furnish evidence of such payments to the Authority and the Trustee. All insurance required under this Property Lease shall be primary to any other insurance available to the Authority and the Trustee, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given thirty (30) days' prior written notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, provided that such separate coverage shall not increase the limit of liability under any such insurance. All insurance required to be maintained pursuant to this Property Lease may be maintained either separately or as a part of or in conjunction with any other insurance coverage carried by the City. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

Section 6.06. Alternative Risk Management Programs; Additional Insurance. Notwithstanding anything in this Article VI to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the terms of this Article VI, including a program of self-insurance (except self-insurance against loss of rental income as required by Section 6.03 hereof and title insurance required by Section 6.13(b) of the Indenture), in whole or in part. Any such alternative risk management program must be approved as reasonable and appropriate by a Risk Manager. The approval of the Risk Manager shall be in the form of a report on the nature of the program and the adequacy of its funding which shall be prepared and filed annually with the Trustee not later than March 1 of each year during any period when such program is in effect, commencing on or prior to the date such program is implemented. If such annual approving report is not timely filed with the Trustee, the Trustee shall promptly notify the City in writing and the City shall immediately obtain insurance as required by this Property Lease. In addition, the City Manager of the City may, if it is in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Article, upon the recommendation of a Risk Manager, or in connection with obtaining or maintaining any rating on the Bonds.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Defaults and Remedies.

(a) The City shall be deemed to be in default hereunder (i) if it shall (A) fail to pay any rental payable hereunder when the same becomes due and payable, time being expressly agreed to be of the essence in this Property Lease, or (B) fail to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the City; or (ii) upon the happening of any of the events specified in subsection (b) of this Section. The Authority may exercise any and all remedies available pursuant to law (other than those specifically waived herein) or granted pursuant to this Property Lease upon the occurrence of any default. The City shall not be in default in the observance or performance of any covenant, condition or agreement in this Property Lease on its part to be observed or performed, other than as referred to in clauses (i)(A), or (ii) of the preceding sentence, unless the City shall have failed, for a period of thirty (30) days or such additional time as is reasonably required, to correct any such default after notice by the Authority or the Trustee to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement.

Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate this Property Lease with respect to that portion or portions of the Leased Property to which the default relates (as provided in (e) below) in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Leased Property as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place in the City of Beverly Hills, or the County of Los Angeles, State of California; provided, however, that before exercising such remedy, the Authority shall have received an Opinion of Bond Counsel to the effect that the exercise of such remedy shall not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. In the event of such termination, the City agrees to immediately surrender possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law (other than as specifically waived herein) that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under this Property Lease shall of itself operate to terminate this Property Lease, and no termination of this Property Lease on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Authority shall have given written

notice to the City of the election on the part of the Authority to terminate this Property Lease. The City covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Property Lease shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating this Property Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision hereof to be kept or performed by the City, and/or (ii) to exercise a right of entry or re-entry, and to re-let the Leased Property. In the event the Authority does not elect to terminate this Property Lease in the manner provided for in subparagraph (1) hereof, the City shall remain liable under this Property Lease and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the City; provided, however, that for so long as the Leased Property is not re-let, the Authority shall not prevent the City from using, occupying and enjoying the Leased Property, subject only to entry or re-entry by the Authority to perform maintenance, or make repairs or alterations, or engage in such other activities as may be desirable in furtherance of an attempt to preserve or re-let the Leased Property. If the Leased Property is not re-let, the City shall pay the full amount of the rent to the end of the term of this Property Lease as it becomes due, or, in the event that the Leased Property is re-let, to pay any resulting deficiency in rent as such rent becomes due; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property. Should the Authority elect to re-enter as herein provided, the City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place in the City of Beverly Hills, or the County of Los Angeles, State of California, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Property Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property in the event of such re-entry without effecting a surrender of this Property Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of this Property Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Property Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The City further agrees to pay the Authority the cost of any alterations or additions to the Leased Property necessary to place the Leased Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations,

to the extent such liability does not constitute a debt or an indebtedness within the meaning of Section 18 of Article XVI of the California Constitution.

The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Leased Property.

Notwithstanding anything to the contrary contained in this Property Lease, the Authority shall not re-enter or re-let the Leased Property upon an Event of Default unless the Authority or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract or other agreement substantially relating to the Leased Property, unless the other party to such sublease, license, management contract or other agreement is in default thereunder.

(b) If (1) the City's interest in this Property Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority as hereinafter provided for; or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors; or (3) the City shall abandon or vacate any portion or portions of the Leased Property, then the City shall be deemed to be in default hereunder with respect to that portion or portions of the Leased Property to which the default relates as provided in (e) below.

(c) The Authority shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation.

(d) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in this Section 7.01, the Authority and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Property Lease or by law except as specifically waived herein. The provisions of the Property Lease and the duties of the City and of elected officials, officers or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent

jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its councilmembers, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its councilmembers, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided herein.

Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section 7.01 shall include, but not be limited to, re-letting by means of the operation by the Authority of the Leased Property. If any statute or rule of law validly shall limit the remedies given to the Authority hereunder, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived herein.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of this Property Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority hereunder.

Section 7.02. Waiver.

(a) Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Property Lease.

(b) The Authority specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of rent in the event of a default by the City hereunder.

ARTICLE VIII

EMINENT DOMAIN

Section 8.01. Eminent Domain. If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than the entirety of the Leased Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Property Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount to be agreed upon by the City and the Authority, but, subject to Section 3.03 hereof, in no event shall the rental be less than the amount required for the retirement of the Bonds and the payment of the interest thereon as such Bonds and interest become due. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied as provided in the Indenture. Any such award made after all of the rentals have been fully paid, or provision therefor made, shall be paid to the Authority and to the City as their respective interests may appear.

ARTICLE IX

COVENANTS

Section 9.01. Right of Entry. The Authority and its assignees shall have the right to enter the Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's rights or obligations under this Property Lease, and (c) for all other lawful purposes.

Section 9.02. Liens. In the event the City shall at any time during the term of this Property Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by a mechanics', materialmen's or other lien against the Leased Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Section 9.03. Quiet Enjoyment. The parties hereto mutually covenant that the City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Property Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 9.04. Authority Not Liable. The Authority and its members, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Leased Property. The City shall indemnify and hold the Authority and its members, officers, agents and employees, and the Trustee and its officers, agents and employees harmless from, and defend each of them against, any and all claims, liens and judgments arising from the construction or operation of the Leased Property, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Leased Property, but excepting claims, liens and judgments arising from the active negligence of the person or entity seeking indemnity. The provisions of this section shall survive the termination of this Property Lease.

Section 9.05. Prohibition Against Encumbrance or Sale. The Authority and the City will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, or upon any real or personal property essential to the operation of the Leased Property, except Permitted Encumbrances. The Authority and the City will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property.

Section 9.06. Assignment. Neither this Property Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned, sublet or transferred by the City by voluntary

act or by operation by law or otherwise, except with the prior written consent of the Authority, which shall not be unreasonably withheld.

Section 9.07. Tax Covenants.

(a) Neither the City nor the Authority will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 1.03 of the Internal Revenue Code of 1986.

(b) The City and the Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(c) Nether the City nor the Authority shall take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(d) The City and the Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(e) Neither the City nor the Authority shall take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(f) The City and the Authority will not make any use of the proceeds of the Bonds or any other funds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or "federally-guaranteed" under Section 149(b) of the Code, or "private activity bonds" as described in Section 141 of the Code. To that end, so long as any Base Rental payments hereunder are unpaid, the City and the Authority, with respect to such proceeds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The City and the Authority shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that interest on the Bonds will not be included in the gross income of the owner thereof for federal income tax purposes and shall take no action that would result in such interest being so included. The provisions of this Section shall survive the defeasance of the Bonds.

Section 9.08. Nondiscrimination. The City and the Authority herein covenant by and for themselves and assigns, and all persons claiming under or through them, and this Property Lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of age, race, color, creed, religion, sex, marital status, sexual orientation, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, subleases, subtenants, or vendees in the premises herein leased.

Section 9.09. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate or agreement (the "Continuing Disclosure Agreement") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Property Lease, failure by the City to comply with the Continuing Disclosure Agreement shall not constitute a default hereunder or under the Indenture; provided, however, that any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any Owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the City of its obligations under this Section 9.09, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 9.09 shall have the meanings given in the Continuing Disclosure Agreement.

ARTICLE X

DISCLAIMER OF WARRANTIES; USE OF THE LEASED PROPERTY

Section 10.01. Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN AND THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Property Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided hereby.

Section 10.02. Use of the Leased Property. The City will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall obtain all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Trustee, adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE XI

ASSIGNMENT AND INDEMNIFICATION

Section 11.01. Assignment by Authority. The parties understand that the Property Lease and the rights of the Authority hereunder will be assigned to the Trustee pursuant to the Indenture, and, accordingly the City agrees to make all rental payments due hereunder directly to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by the Authority or the Trustee or any Owner to protect their interests in the Leased Property during the term hereof.

Section 11.02. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its members, officers and employees and the Trustee and its officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (other than the negligence or willful misconduct of the Authority, or its members, officers and employees or of the Trustee or its officers and employees), and reasonable expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Property Lease, the payment of the costs of the Improvement or any accident in connection with the operation, use, condition or possession of the Leased Property or the Improvement or any portion thereof resulting in damage to property or injury to or death to any person, including without limitation any claim alleging latent and other defects, whether or not discoverable by the Authority or the City; any claim for patent, trademark or copyright infringement; any claim arising out of strict liability in tort; the presence on, under or about, or release from the Improvement or the Leased Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law and the violation of, or non-compliance with, any such laws by the City; or the exercise of the rights or duties of the Trustee under the Indenture. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Leased Property. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

ARTICLE XII

SUBSTITUTION, RELEASE AND ADDITION OF LEASED PROPERTY

Section 12.01. Substitution of Leased Property.

(a) Whenever the City determines that the annual fair rental value of a proposed Substitute Leased Property is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid hereunder and that the Substitute Leased Property is complete and is available for beneficial use and occupancy by the City, the City may amend Exhibit A to this Property Lease to substitute such Substitute Leased Property for all or a portion of the Leased Property hereunder upon compliance with all of the conditions set forth in subsection (b), and after a Substitution, all or a portion of the Leased Property originally leased hereunder shall be released from the leasehold hereunder, as appropriate. The Authority and the City shall also make any amendments needed to be made to this Property Lease, and shall enter into any necessary site or ground leases in connection with such Substitution. Such amendments may be made without the consent of Bondowners.

(b) No Substitution shall take place hereunder until the City delivers to the Authority and the Trustee the following:

(1) A certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which shall be prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that: (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of Substitution; (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

(2) An Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(3) The City shall cause to be recorded in the Office of the Los Angeles County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(4) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the Authority's leasehold and the City's subleasehold interest in the Substitute Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee

for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Substitute Leased Property by the City.

(5) Written notice of such Substitution shall be given by the City to any Rating Agency then rating the Bonds.

Section 12.02. Removal of Leased Property. The City shall have, and is hereby granted, the option at any time and from time to time during the term of this Property Lease to remove from this Property Lease any portion of the Leased Property; provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such removal:

(a) No event of default has occurred and is continuing under this Property Lease.

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to this Property Lease which deletes the legal description of such Site or Leased Property.

(c) The City shall cause to be recorded in the Office of the Los Angeles County Recorder a copy of an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel substantially to the effect that such removal will not affect the obligation of the City to continue to pay Base Rental payments in the amounts and at the times and in the manner required by the Property Lease.

(e) The City shall file with the Authority and the Trustee an appraisal (which shall be prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that the annual fair rental value of the remaining Leased Property, taking into consideration the removal of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such removal.

(f) The City shall certify in writing to the Authority and the Trustee that the estimated useful life of the Leased Property that will remain following such removal at least extends to the date on which the final Lease Payment becomes due and payable hereunder, and that the City will have the beneficial use and occupancy of the Leased Property that will remain following such removal.

(g) A letter from each rating agency then rating the Bonds to the effect that such removal will not reduce the then current rating on the Bonds.

Section 12.03. Addition of Leased Property. The City may, at any time it deems it necessary or advisable, amend this Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased hereunder. No such addition shall take place hereunder until the City delivers to the Authority and the Trustee

the opinion set forth in Section 12.01(b)(2), provided that in such instance the opinion shall relate to the addition of Leased Property and not the substitution of Leased Property.

If the addition to the Leased Property (the "Addition") is being done in connection with the issuance of Additional Bonds, the following requirements shall apply:

(a) A certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which shall be prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that: (i) the annual fair rental value of the Leased Property (including the Addition) is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such Addition; (ii) the remaining useful life of such Leased Property (including the Addition) is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Addition, have beneficial use and occupancy of all of the Leased Property.

(b) An Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(c) The City shall cause to be recorded in the Office of the Los Angeles County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the Authority's leasehold interest and the City's subleasehold interest in the Addition to the Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

(e) Written notice of such Addition shall be given by the City to any Rating Agency then rating the Bonds.

Section 12.04. Amendment of Site Lease. The Authority and the City shall amend the Site Lease as necessary in order to accomplish any Substitution, Addition, or any release or addition pursuant to this Article XII.

ARTICLE XIII

DISCHARGE OF OBLIGATIONS

Section 13.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Base Rental payments and Additional Rental payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied, except only as provided in subsection (c).

(b) Any unpaid principal component of a Base Rental payment shall on its scheduled Base Rental Payment Date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Base Rental payment in the manner provided herein, and money for this purpose of such payment or prepayment is then held by the Trustee.

(c) All or any portion of any unpaid principal component of a Base Rental payment shall, prior to its scheduled Base Rental Payment Date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the City shall remain liable for such Base Rental payment, but only out of such money or securities deposited with the Trustee as herein described for such payment) if (i) notice is provided to the Trustee as required by the Indenture, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Obligations which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Obligations issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient, as stated in a report of a nationally recognized independent certified public accountant addressed to the City and the Trustee verifying such sufficiency in full, to pay when due such principal component of the Base Rental payment or such portion thereof on and prior to its payment date or its date of prepayment, as the case may be, and the prepayment premium, if any, thereon, and (iii) an Opinion of Bond Counsel addressed to the City and the Trustee is filed to the effect that the action taken pursuant to this subsection will not cause the interest components of the Base Rental payments to be includable in gross income under the Code for federal income tax purposes and that the Bonds are no longer Outstanding (as that term is defined in the Indenture).

(d) After the payment of all Base Rental payments and any applicable prepayment premiums as provided in this section, and payment of the reasonable fees and expenses of the Trustee, the Trustee, upon request of the City, shall cause an accounting to be made in accordance with industry standards and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over and deliver to the City, after payment of all reasonable fees, expenses and other amounts owed to the Trustee, as an overpayment

of Base Rental payments, all such moneys or investments held by it pursuant to the Indenture other than such moneys and such Base Rental payments, which moneys and investments shall continue to be held by the Trustee in trust for the payment of the Base Rental payments and shall be applied by the Trustee pursuant to the Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Law Governing. This Property Lease shall be governed exclusively by the laws of the State of California as the same from time to time exist.

Section 14.02. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements or promises or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, to the Director of Finance Administration, City of Beverly Hills, 450 North Rexford Drive, Beverly Hills, California 90210, and, if to the Authority, in care of the Director of Finance Administration, City of Beverly Hills, 450 North Rexford Drive, Beverly Hills, California 90210, or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any such notice or other document hereinabove mentioned shall also be delivered to the Trustee at the address set forth in Section 12.07 of the Indenture.

Section 14.03. Validity and Severability. If for any reason this Property Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Property Lease is and shall be deemed to be a Property Lease under which the rental payments due in any fiscal year of the City are subject to annual appropriation and are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Leased Property, and all of the rental and other terms, provisions and conditions of this Property Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 14.04. Net Lease. This Property Lease shall be deemed and construed to be a "net lease" and the City hereby agrees that the rentals provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 14.05. Taxes. The parties understand and agree that the Leased Property constitutes public property free and exempt from all taxation; however, the Authority agrees to take whatever steps may be necessary, upon written request by the City, to contest any proposed valuation, the amount of any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. The City agrees to reimburse the Authority for any and all costs and expenses thus incurred by the Authority.

Section 14.06. Article and Section Headings. All article and section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Property Lease.

Section 14.07. Execution. This Property Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Property Lease. It is also agreed that separate counterparts of this

Property Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

Section 14.08. Trustee A Third Party Beneficiary. The Trustee is hereby, designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee under the Indenture.

Section 14.09. Amendment. This Property Lease may be amended in the event of a partial refunding of the Bonds in order to set forth a revised schedule of Base Rental payments, but only if the resulting Base Rental payments due hereunder after such amendment in each Fiscal Year do not exceed the Base Rental payments due in each such Fiscal Year prior to the amendment. This Property Lease may be amended in the event of the issuance of Additional Bonds in order to complete the Improvement, but only to obligate the City to pay additional amounts of Base Rental such that the scheduled amount of Base Rental payable after such amendment shall be sufficient to pay the principal of and interest on the Bonds and such Additional Bonds. This Property Lease may otherwise be amended only as is permitted by Article XII hereof or in accordance with the requirements relating to the modification or amendment of the Indenture as provided in Article IX of the Indenture.

IN WITNESS WHEREOF, the Authority and the City have caused this Property Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF BEVERLY HILLS PUBLIC FINANCING
AUTHORITY, *as Lessor*

By _____
Scott G. Miller, PhD,
Chief Financial Officer

CITY OF BEVERLY HILLS, *as Lessee*

By _____
Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

[CERTIFICATE OF ACCEPTANCE]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
 County of _____ } ss.

On _____, before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared _____
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above _____
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document
 Title or Type of Document: _____
 Document Date: _____ Number of Pages: _____
 Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____



Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
 County of _____ } ss.
 On _____, before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared _____
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____



Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____

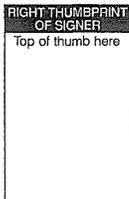


EXHIBIT A
DESCRIPTION OF THE SITE

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
-------------	------------------	-----------------	-------------------------------

EXHIBIT C

DESCRIPTION OF THE IMPROVEMENT

The Improvement consist of design, acquisition and installation of a water tower to be located at _____ (which is expected to be completed by _____), and any other capital improvements approved by the City Council.

EXHIBIT D

FORM OF CERTIFICATE OF SUBSTANTIAL COMPLETION

[Letterhead of City]

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust

Re: \$_____ City of Beverly Hills Public Financing Authority 2009 Lease
Revenue Bonds (Capital Improvement and Refunding Project)

Ladies and Gentlemen:

In accordance with the terms of a Property Lease, by and between the City of Beverly Hills Public Financing Authority (the "Authority") and the undersigned, dated as of November 1, 2009 (the "Property Lease"), the undersigned hereby certifies, on behalf of the City of Beverly Hills, that the acquisition and construction of _____ (the "Improvement") financed with the proceeds of the captioned bonds is substantially complete in accordance with the plans and specifications as of the dated date of this certification and such Improvement is ready for use and occupancy by the City, notwithstanding that construction may be subject to completion of minor architectural finish ("punch list") items.

This Certificate shall not constitute a Notice of Completion pursuant to Section 3093 of the California Civil Code, and the delivery of this Certificate by the City shall not prejudice any rights that the City may have with respect to any amount due to any party in connection with the acquisition, construction, installation, equipping of, and improvement to, the Improvement described above, including, but not limited to, any right to withhold payment of amounts designated or treated as retainage under construction contracts.

Dated as of: _____, _____.

CITY OF BEVERLY HILLS

By: _____
Designated Officer

Recording Requested By
CITY OF BEVERLY HILLS

When Recorded Mail To:
Stephen G. Melikian
JONES HALL, A PROFESSIONAL LAW CORPORATION
650 California Street, 18th Floor
San Francisco, California 94108

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE AND FACILITY LEASE

by and between

**CITY OF BEVERLY HILLS,
as Lessor**

and the

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY,
as Lessee**

Dated as of November 1, 2009

Relating to

**\$ _____
City of Beverly Hills Public Financing Authority
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)**

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EXHIBIT A DESCRIPTION OF SITEA-1

SITE AND FACILITY LEASE

THIS SITE AND FACILITY LEASE (the "Site Lease"), dated as of November 1, 2009, by and between the CITY OF BEVERLY HILLS, a municipal corporation duly organized and existing under the Constitution and laws of the State of California, as lessor (the "City"), and the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under the laws of the State of California (the "Authority"), as lessee; and

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated November 10, 1992, by and between the City of Beverly Hills (the "City") and the Parking Authority of the Beverly Hills, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose, among other things, of financing and refinancing public capital projects for the City and the Agency;

WHEREAS, the City desires to obtain financing to (i) pay the costs incurred and to be incurred with respect to the acquisition, construction and equipping of certain improvements (the "Improvement") described in Exhibit C to the Property Lease (as defined below) and (ii) to refinance certain existing lease obligations previously entered into between the Authority and the City by leasing certain real property (the "Site") and the improvements thereon (the "Facility" and, together with the Site, the "Leased Property"), to the Authority, which Site is described in Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Authority will, through the issuance of its \$_____ aggregate principal amount of City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds") pursuant to an Indenture, dated as of November 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Associations, as trustee, obtain the necessary funds to acquire, construct and equip the Improvement and refinance such existing lease obligations;

WHEREAS, the Authority will use, or caused to be used, a portion of the proceeds of the Bonds (i) for the acquisition, construction and equipping of the Improvement and (ii) to refinance such existing lease obligations;

WHEREAS, the City will lease-back the Leased Property from the Authority pursuant to a Property Lease dated as of November 1, 2009, by and between the Authority, as lessor, and the City, as lessee (the "Property Lease"), which is being recorded concurrently herewith, and will pay to the Authority base rental payments and additional rental pursuant to the Property Lease sufficient to pay principal of and premium and interest, if any, on the Bonds and certain related expenses, all as provided in the Property Lease and the Indenture;

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Site Lease;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. All terms specifically defined in the Indenture and in the Property Lease shall have the same respective meanings when used herein.

Section 1.02. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Site Lease are to be designated Articles, Sections, and other subdivisions of this Site Lease as originally executed. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. References to Agreement. The words "hereof", "herein", "hereunder", and words of similar import refer to this Site Lease as a whole.

Section 1.04. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.01, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Authority as follows:

(a) Due Organization and Existence. The City is a chartered city duly organized and existing under the Constitution and laws of the State.

(b) Authorization. The laws of the State authorize the City to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the City has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the City, or upon the Leased Property, except Permitted Encumbrances.

(d) Title to Leased Property. The City has fee simple title to the Leased Property, subject only to Permitted Encumbrances.

Section 2.02. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants to the City as follows:

(a) Due Organization and Existence. The Authority is a joint exercise of powers authority duly formed, operating and existing under the laws of the State; has power to enter into the Site Lease; is possessed of full power to sublease real and personal property; and has duly authorized the execution and delivery of this Site Lease.

(b) Authorization. The laws of the State authorize the Authority to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the Authority has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Leased Property, except Permitted Encumbrances.

ARTICLE III

AGREEMENT TO LEASE; TERM OF SITE LEASE; SITE LEASE PAYMENT

Section 3.01. Lease. The City hereby leases the Leased Property to the Authority, and the Authority hereby leases the Leased Property from the City, upon the terms and conditions set forth in this Site Lease.

Section 3.02. Term. The term hereof shall commence on the date of recordation hereof, and shall end on May 31, 20__, or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than May 31, 20__). If on May 31, 20__, or on such later date determined pursuant to the preceding sentence, the Indenture shall not be discharged by its terms, then the term of the Property Lease shall be extended until ten (10) days after the Indenture shall be discharged by its terms, except that the term of the Property Lease shall in no event be extended beyond May 31, 20__ or the date that is ten (10) years after such later date determined pursuant to the preceding sentence. If prior to May 31, 20__ or such later date the Indenture shall be discharged by its terms, then the term of the Property Lease shall terminate ten (10) days after such discharge.

Section 3.03. Site Lease Payment. The Authority hereby agrees to pay to the City, as rental for Leased Property during the Term, the amount of Ten Dollars, which shall be due and payable on the Closing Date. Additionally, the Authority agrees to apply amounts on deposit under the Improvement Fund to the payment of costs of the Improvement.

Section 3.04. Title. The City hereby covenants that it has insurable fee title in the Leased Property, and during the Term, the City shall hold title to the Leased Property.

Section 3.05. No Merger. It is the express intention of the parties hereto that this Site Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Property Lease and the obligations of the parties thereunder, and that during the term of the Property Lease no merger of title or interest occur or be deemed to occur as a result of the position of the City as lessee under the Property Lease and as lessor under this Site Lease, or the position of the Authority as lessee under this Site Lease.

Section 3.06. Substitution, Addition or Removal of Leased Property. The Leased Property may be substituted, added to or removed in part in implementation of the provisions of Section 12.01, Section 12.02 or Section 12.03, as applicable, of the Property Lease, and in such event, Exhibit A hereto shall be revised accordingly.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, this Site Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary.

Section 4.02. Application of Net Proceeds. The net proceeds of any insurance award resulting from any damage to or destruction of the Leased Property by fire or other casualty, and the net proceeds of any eminent domain award resulting from any event described in Section 4.01 hereof, shall be applied as set forth in the Property Lease and the Indenture. All such net proceeds shall be paid to the City or the Trustee as their interests may appear under the Property Lease, and the Authority hereby waives any and all right, title and interest which it may have in and to any such net proceeds by virtue of its estate in the Leased Property under this Site Lease.

Section 5.07. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Site Lease.

Section 5.08. Execution in Counterparts. This Site Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.09. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State.

Section 5.10. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Site Lease.

* * * * *

IN WITNESS WHEREOF, the Authority has caused this Site Lease to be executed in its name by its duly authorized officer; and the City has caused this Site Lease to be executed in its name by its duly authorized officer, all as of the date first above written.

CITY OF BEVERLY HILLS, *as Lessor*

By _____
Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

CITY OF BEVERLY HILLS PUBLIC FINANCING
AUTHORITY, *as Lessee*

By _____
Scott G. Miller, PhD,
Chief Financial Officer

[CERTIFICATE OF ACCEPTANCE]

EXHIBIT A
DESCRIPTION OF SITE

[TO COME]

**TO BE RECORDED AND WHEN
RECORDED RETURN TO:**

JONES HALL,
A Professional Law Corporation
650 California Street, 18th Floor
San Francisco, CA 94108
ATTENTION: Stephen G. Melikian, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

MEMORANDUM OF ASSIGNMENT

This Memorandum of Assignment (the "Memorandum of Assignment") is entered into as of November 1, 2009, by and between the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee") under that certain Indenture, dated as of November 1, 2009, between the Trustee and the Authority (the "Indenture"), who agree as follows:

1. The Site Lease and Property Lease. The City of Beverly Hills (the "City") has leased to the Authority certain real property (the "Site") and the improvements located thereon (the "Facility" and, together with the Site, the "Leased Property"), as described in paragraph 3 hereof, upon the terms and conditions, and for the term, more fully set forth in the Site and Facility Lease of even date herewith (the "Site Lease"), between the City, as lessor, and the Authority, as lessee, which is being recorded concurrent herewith, and the Authority has subleased the Leased Property to the City upon the terms and conditions, and for the term, more fully set forth in the Property Lease, of even date herewith (the "Property Lease"), between the Authority, as lessor, and the City, as lessee, both of which have been recorded concurrently herewith in the real property records of the Los Angeles County Recorder's Office.

2. The Indenture; Assignment. The Authority has issued a series of bonds, entitled "City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project)" (the "Bonds") under the Indenture. The Bonds are secured, in part, by an assignment to the Trustee by the Authority of the Authority's right to receive "Revenues" which include Base Rental payments due under the Property Lease. The Authority hereby pledges and assigns to the Trustee, and grants to the Trustee, a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Indenture, shall be prior in right to any other pledge, lien or security interest created by the Authority therein: (i) the

Revenues and (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time to time by the Trustee under the Indenture.

This Memorandum of Assignment shall confer no rights and impose no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder is to the Trustee, solely in its capacity as Trustee under the Indenture.

3. The Leased Property. The real property leased by the City to the Authority and by the Authority to the City is described more fully in Exhibit A attached to this Memorandum of Assignment. The Site Lease and Property Lease are both for a term commencing on the date of delivery of the Bonds and ending on May 31, 20__, unless such term is extended or terminated earlier pursuant to the terms of the Site Lease or the Property Lease.

4. Provisions Binding on Successors and Assigns. Subject to the provisions of the Indenture, the Indenture shall inure to the benefit of and shall be binding upon the Authority and the Trustee and their respective successors and assigns.

5. Purpose of Memorandum of Assignment. This Memorandum of Assignment is prepared for the purpose of recordation, and it in no way modifies the provisions of the Indenture.

6. Execution in Counterparts. This Memorandum of Assignment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority has caused this Memorandum of Assignment to be executed in its corporate name by its duly authorized officer, and the Trustee has caused this Memorandum of Assignment to be executed in its corporate name by its duly authorized officer, all as of the date first above written.

CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY

By _____
Scott G. Miller, PhD,
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Julia S. Hommel,
Vice President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of _____ } ss.
On _____, before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared _____
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

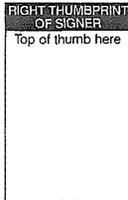
Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

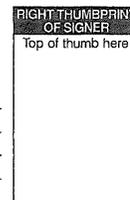
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
Signer Is Representing: _____



Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
Signer Is Representing: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
 County of _____ } ss.

On _____, before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared _____
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____



Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney in Fact
 Trustee
 Guardian or Conservator
 Other: _____
 Signer Is Representing: _____

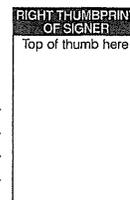


EXHIBIT A
LEGAL DESCRIPTION

ESCROW AGREEMENT

By and Between

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY

and

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent**

Relating to:

**City of Beverly Hills Public Financing Authority
Lease Revenue Bonds
2001 Refunding Series A**

Dated as of November 1, 2009

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of November 1, 2009 (this "Escrow Agreement"), by and between the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, the Authority is, simultaneously with the execution of this Escrow Agreement, issuing aggregate principal amount of its 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds") pursuant to an Indenture dated as of November 1, 2009 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the 2009 Bonds are being issued, in part, for the purpose of providing moneys sufficient to refund, on a current basis, the Authority's Lease Revenue Bonds, 2001 Refunding Series A (the "Prior Bonds");

WHEREAS, in order to accomplish the refunding of the Prior Bonds, the Authority will deposit, or cause to be deposited, a portion of the proceeds of the 2009 Bonds, and certain other moneys of the Authority with the Escrow Agent in accordance with this Escrow Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated "City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds" (the "Escrow Fund") to be held in the custody of the Escrow Agent in trust under this Escrow Agreement for the benefit of the owners of the Prior Bonds identified in Schedule B hereto. The Escrow Fund shall be held in trust under this Escrow Agreement solely for the benefit of the owners of the Prior Bonds. Except to the extent of any excess which is to be released as provided in Section 11 hereof, the Authority shall have no interest in the funds or investments held in the Escrow Fund. The moneys and securities held hereunder shall be irrevocably set aside for the payment of the Prior Bonds as provided in Section 5 hereof.

SECTION 2. Deposit to the Escrow Fund. Concurrently with the execution and delivery of this Escrow Agreement, the Authority shall deposit, or cause to be deposited, with the Escrow Agent the sum of \$ _____, with \$ _____ of such amount to be derived from the proceeds of the 2009 Bonds [and \$ _____ of such amount being derived from a release of cash on deposit in the _____ Fund relating to the Prior Bonds]. These amounts shall be held, invested and used by the Escrow Agent as provided in this Escrow Agreement. The Escrow Agent shall, on January __, 2009, use \$ _____ of such amount to purchase certain securities and investments for the Escrow Fund, all as listed on

Schedule A attached hereto and made a part hereof (the "Escrowed Securities") (which securities the Authority represents are Eligible Securities, as defined below) maturing on the dates and in the amounts necessary to make the transfers described in Section 5(a), and shall retain \$_____ in cash in the Escrow Fund.

For purposes of this Escrow Agreement, the term "Eligible Securities" means "cash or obligations for which the faith and credit of the United States of America are pledged for the payment of principal thereof and interest thereon which obligations are not subject to call or redemption prior to the maturity date thereof."

SECTION 3. Investment of Escrow Fund.

(a) General.

The Escrow Agent will purchase the Escrowed Securities in the name of the Escrow Agent as provided in Section 2 above and will hold such Escrowed Securities, and any earnings received thereon and any reinvestment thereof in the Escrow Fund and disburse such amounts as provided herein. The Escrow Agent shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Escrow Agreement and may sell, liquidate or otherwise dispose of the Escrowed Securities in accordance with Section 7, may substitute, upon the written direction of the Authority, Eligible Securities subject to the terms and limitations of Section 7, and shall make certain required reinvestments pursuant to subsection (b) of this Section 3, but otherwise shall have no power or duty to sell, transfer or otherwise dispose of the Escrowed Securities.

(b) Additional Actions.

If at any time the Authority is of the opinion that for purposes of Section 12 it is necessary to take certain additional action relating to amounts held in the Escrow Fund, the Authority shall so instruct the Escrow Agent in writing, and the Escrow Agent shall take such action as may be directed in accordance with such instructions.

SECTION 4. Creation of Lien on Escrow Fund. The Escrow Fund created hereby shall be irrevocable, and the Escrow Agent is hereby appointed to act for the benefit of the owners of the Prior Bonds identified in Schedule B hereto, which owners are hereby granted an express lien on the Escrow Fund and all moneys and investments from time to time held therein for the payment of amounts described in Section 5 below. The Escrow Agent shall hold such moneys and investments separate and apart from, and not commingled with, any other moneys or investments.

SECTION 5. Use of Escrow Fund. Not later than 9:00 a.m. (California Time) on January __, 2010, the Escrow Agent shall transfer, in immediately available funds, to the trustee for the Prior Bonds from the moneys in the Escrow Fund (as shown in Schedule A), a sum sufficient to pay the debt service on, and redemption price of, the Prior Bonds identified in Schedule B hereto as the same shall become due. The Authority hereby irrevocably elects to redeem the Prior Bonds identified on Schedule B on January __, 2010 at a redemption price equal to 101% of the principal amount of the Prior Bonds being redeemed, plus accrued and unpaid interest thereon. Following the transfer of funds in the Escrow Fund to the Trustee for the Prior Bonds on January __, 2010, and the payment of any fees due the Escrow Agent hereunder, any amounts remaining on deposit in the Escrow Fund shall be transferred to the Trustee for deposit in the Interest Fund held under the Indenture.

SECTION 6. Prepayment. The Authority acknowledges that the refunding of the Prior Bonds constitutes the prepayment and discharge in full of the remaining Base Rental payments under the Lease Agreement dated as of July 1, 1998, as amended by the First Amendment to Lease Agreement dated as of March 1, 2001 and the Second Amendment to Lease Agreement dated as of January 1, 2007, between the Authority, as lessor, and the City of Beverly Hills (the "City"), as lessee, and agrees to execute a termination agreement reflecting such prepayment and discharge.

SECTION 7. Reinvestment; Substitution; Liquidation. Interest income and other amounts received by the Escrow Agent as payments on the Escrowed Securities shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 5 of this Escrow Agreement and shall be invested by the Escrow Agent in Eligible Securities but only at the written direction of the Authority, provided that (a) such amounts may only be invested in Eligible Securities, and (b) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make the transfers required by Section 5 of this Escrow Agreement.

If the Authority, at any time, delivers to the Escrow Agent written instructions instructing the Escrow Agent to liquidate, sell or otherwise dispose of any or all securities or investments in the Escrow Fund, purchase or otherwise acquire Eligible Securities, and/or to release any moneys or securities therein to the Authority, and further delivers to the Escrow Agent, each of the following:

(a) a revised Schedule A (together with a certification by the Authority that the securities or investments described therein are Eligible Securities);

(b) a report of a nationally recognized firm of independent certified public accountants (or other independent firm acceptable to the Authority) verifying that the securities or investments described on such Schedule A will provide moneys, available in both time and amount, to enable timely payment of all amounts required in accordance with Section 5; and

(c) an opinion of nationally recognized bond counsel to the effect that the liquidation, sale or other disposition of securities or investments in the Escrow Fund, the purchase or other acquisition of securities or investments and the deposit thereof in the Escrow Fund, or the release of amounts from the Escrow Fund as described in this Section 7 will not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Prior Bonds or the 2009 Bonds, or the exemption of interest on the Prior Bonds or the 2009 Bonds from State of California personal income taxes;

then the Escrow Agent shall liquidate, sell or otherwise dispose of the securities in the Escrow Fund, shall purchase (or retain) the securities or investments described in such revised Schedule A and transfer to the Authority, free and clear of the lien of this Escrow Agreement, any and all amounts in the Escrow Fund not required for the purchase of the investments described on such Exhibit A, all in accordance with such instructions from the Authority referred to above.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage

confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, however, that the Authority shall be entitled to receive brokerage confirmations with respect to any transaction upon request. The Escrow Agent will furnish the Authority monthly cash transaction statements as soon as possible after the end of each month which include detail for all investment transactions made by the Escrow Agent hereunder.

SECTION 8. Liability of Escrow Agent.

(a) The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Escrow Agent shall have no lien whatsoever on the Escrow Fund or moneys on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement or otherwise.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund or Escrowed Securities purchased at the direction of the Authority to pay the principal and premium, if any, of, and interest on, the Prior Bonds identified in Schedule B.

(c) In the event of the Escrow Agent's failure to account for any of the Escrow Fund or moneys received by it, said Escrow Fund or moneys shall, nevertheless, be and remain in trust for the holders of the Prior Bonds identified in Schedule B or portions thereof, as herein provided.

(d) The Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Agent and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever in and nature which may be imposed on, incurred by, or asserted against, at any time the Escrow Agent (whether or not also indemnified against by any person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Authority shall not be required to indemnify the Agent against its own negligence or willful misconduct. The indemnities contained in this Section 8(d) and the compensation and reimbursement contained in Section 15 shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Agent.

SECTION 9. Sufficiency of Escrow. The Authority agrees that if for any reason the investments and moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay timely principal of, and interest on, the Prior Bonds identified in Schedule B, the Authority shall continue to be liable therefor.

SECTION 10. Successor Escrow Agent. Any corporation into which the Escrow Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Agent shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall, if satisfactory to the Authority, be the successor Escrow Agent

under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 11. Termination. This Escrow Agreement shall terminate when (i) all transfers and payments required to be made by the Escrow Agent under the provisions of Section 5 hereof shall have been made, (ii) any moneys remaining in the Escrow Fund at the time of such termination shall have been transferred as provided in Section 5 hereof, and (iii) the Escrow Agent has made a final report to the Authority.

SECTION 12. Tax-Exempt Nature of Interest. The Authority covenants and agrees for the benefit of the holders of the Prior Bonds and the 2009 Bonds that it will not perform or permit to be performed any thing or act in such manner as would cause interest on the Prior Bonds or the 2009 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 13. Severability. If any one or more of the covenants and agreements provided in this Escrow Agreement on the part of the Authority or the Escrow Agent should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 14. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Authority and the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Compensation of Escrow Agent. For acting under this Escrow Agreement, the Escrow Agent shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Agent in connection with its services under this Escrow Agreement; however, such amount shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the lien set forth in Section 4 of this Escrow Agreement.

SECTION 16. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

SECTION 17. Heading. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

SECTION 18. Counterparts. This Escrow Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

SECTION 19. City A Third Party Beneficiary. The City is hereby designated as a third party beneficiary hereunder for the purpose of enforcing any of the obligations of the Escrow Agent contained in this Escrow Agreement.

SECTION 20. Amendments. Other than as provided in Section 7, this Escrow Agreement may be amended only (i) upon the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel to the effect that such amendment does not adversely materially affect the holders of the Prior Bonds or the 2009 Bonds, or (ii) with the consent of all of the Owners of the Prior Bonds being defeased hereby.

IN WITNESS WHEREOF, the City of Beverly Hills Public Financing Authority and U.S. Bank National Association, as Escrow Agent, have each caused this Escrow Agreement to be executed, and U.S. Bank National Association, as trustee for the Prior Bonds has caused this Escrow Agreement to be acknowledged, by their duly authorized officers as of the date first above written.

**CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY**

By: _____
Chief Financial Officer

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent**

By: _____
Authorized Officer

**ACKNOWLEDGEMENT OF U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE FOR THE PRIOR BONDS**

U.S. BANK NATIONAL ASSOCIATION, as Trustee for the Prior Bonds, hereby acknowledges the provisions of this Escrow Agreement and, in particular, Section 5 hereof and, as such provisions are applicable to U.S. Bank National Association, in its capacity as Trustee for the Prior Bonds, agrees to comply therewith.

U.S. BANK NATIONAL ASSOCIATION,
as trustee

By: _____
Authorized Officer

SCHEDULE A

Escrow Fund

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
------------------	---------------	------------	------	------------

Escrow Cash Flow

	Prior Bond Interest	Prior Bond Principal	Prior Bond Redemption Premium	Prior Bond Debt Service Total	Net Escrow Receipts*	Excess Receipts	Excess Balance
Period Ending							

*Starting cash balance in the Escrow Fund is \$ _____

SCHEDULE B

PRIOR BONDS

**City of Beverly Hills Public Financing Authority
Lease Revenue Bonds
2001 Refunding Series A***

Prior Bonds*

<u>Maturity (June 1)</u>	<u>Amount</u>	<u>Coupon</u>
------------------------------	---------------	---------------

*To be redeemed at a price of 100% plus accrued interest on December __, 2009

ESCROW AGREEMENT

By and Between

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY

and

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent**

Relating to:

**City of Beverly Hills Public Financing Authority
Lease Revenue Bonds
1999 Refunding Series A**

Dated as of November 1, 2009

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of November 1, 2009 (this "Escrow Agreement"), by and between the CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, the Authority is, simultaneously with the execution of this Escrow Agreement, issuing aggregate principal amount of its 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds") pursuant to an Indenture dated as of November 1, 2009 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the 2009 Bonds are being issued, in part, for the purpose of providing moneys sufficient to refund, on a current basis, the Authority's Lease Revenue Bonds, 1999 Refunding Series A (the "Prior Bonds");

WHEREAS, in order to accomplish the refunding of the Prior Bonds, the Authority will deposit, or cause to be deposited, a portion of the proceeds of the 2009 Bonds, and certain other moneys of the Authority with the Escrow Agent in accordance with this Escrow Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated "City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds" (the "Escrow Fund") to be held in the custody of the Escrow Agent in trust under this Escrow Agreement for the benefit of the owners of the Prior Bonds identified in Schedule B hereto. The Escrow Fund shall be held in trust under this Escrow Agreement solely for the benefit of the owners of the Prior Bonds. Except to the extent of any excess which is to be released as provided in Section 11 hereof, the Authority shall have no interest in the funds or investments held in the Escrow Fund. The moneys and securities held hereunder shall be irrevocably set aside for the payment of the Prior Bonds as provided in Section 5 hereof.

SECTION 2. Deposit to the Escrow Fund. Concurrently with the execution and delivery of this Escrow Agreement, the Authority shall deposit, or cause to be deposited, with the Escrow Agent the sum of \$_____, with \$_____ of such amount to be derived from the proceeds of the 2009 Bonds [and \$_____ of such amount being derived from a release of cash on deposit in the _____ Fund relating to the Prior Bonds]. These amounts shall be held, invested and used by the Escrow Agent as provided in this Escrow Agreement. The Escrow Agent shall, on November __, 2009, use \$_____ of such amount to purchase certain securities and investments for the Escrow Fund, all as listed on

Schedule A attached hereto and made a part hereof (the "Escrowed Securities") (which securities the Authority represents are Eligible Securities, as defined below) maturing on the dates and in the amounts necessary to make the transfers described in Section 5(a), and shall retain \$_____ in cash in the Escrow Fund.

For purposes of this Escrow Agreement, the term "Eligible Securities" means "cash or obligations for which the faith and credit of the United States of America are pledged for the payment of principal thereof and interest thereon which obligations are not subject to call or redemption prior to the maturity date thereof."

SECTION 3. Investment of Escrow Fund.

(a) General.

The Escrow Agent will purchase the Escrowed Securities in the name of the Escrow Agent as provided in Section 2 above and will hold such Escrowed Securities, and any earnings received thereon and any reinvestment thereof in the Escrow Fund and disburse such amounts as provided herein. The Escrow Agent shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Escrow Agreement and may sell, liquidate or otherwise dispose of the Escrowed Securities in accordance with Section 7, may substitute, upon the written direction of the Authority, Eligible Securities subject to the terms and limitations of Section 7, and shall make certain required reinvestments pursuant to subsection (b) of this Section 3, but otherwise shall have no power or duty to sell, transfer or otherwise dispose of the Escrowed Securities.

(b) Additional Actions.

If at any time the Authority is of the opinion that for purposes of Section 12 it is necessary to take certain additional action relating to amounts held in the Escrow Fund, the Authority shall so instruct the Escrow Agent in writing, and the Escrow Agent shall take such action as may be directed in accordance with such instructions.

SECTION 4. Creation of Lien on Escrow Fund. The Escrow Fund created hereby shall be irrevocable, and the Escrow Agent is hereby appointed to act for the benefit of the owners of the Prior Bonds identified in Schedule B hereto, which owners are hereby granted an express lien on the Escrow Fund and all moneys and investments from time to time held therein for the payment of amounts described in Section 5 below. The Escrow Agent shall hold such moneys and investments separate and apart from, and not commingled with, any other moneys or investments.

SECTION 5. Use of Escrow Fund. Not later than 9:00 a.m. (California Time) on December 1, 2010, the Escrow Agent shall transfer, in immediately available funds, to the trustee for the Prior Bonds from the moneys in the Escrow Fund (as shown in Schedule A), a sum sufficient to pay the debt service on, and redemption price of, the Prior Bonds identified in Schedule B hereto as the same shall become due. The Authority hereby irrevocably elects to redeem the Prior Bonds identified on Schedule B on December __, 2009 at a redemption price equal to 101% of the principal amount of the Prior Bonds being redeemed, plus accrued and unpaid interest thereon. Following the transfer of funds in the Escrow Fund to the Trustee for the Prior Bonds on December __, 2009, and the payment of any fees due the Escrow Agent hereunder, any amounts remaining on deposit in the Escrow Fund shall be transferred to the Trustee for deposit in the Interest Fund held under the Indenture.

SECTION 6. Prepayment. The Authority acknowledges that the refunding of the Prior Bonds constitutes the prepayment and discharge in full of the remaining Base Rental payments under the Lease Agreement dated as of July 1, 1998, as amended by the First Amendment to Lease Agreement dated as of March 1, 1999 and the Second Amendment to Lease Agreement dated as of January 1, 2007, between the Authority, as lessor, and the City of Beverly Hills (the "City"), as lessee, and agrees to execute a termination agreement reflecting such prepayment and discharge.

SECTION 7. Reinvestment; Substitution; Liquidation. Interest income and other amounts received by the Escrow Agent as payments on the Escrowed Securities shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 5 of this Escrow Agreement and shall be invested by the Escrow Agent in Eligible Securities but only at the written direction of the Authority, provided that (a) such amounts may only be invested in Eligible Securities, and (b) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make the transfers required by Section 5 of this Escrow Agreement.

If the Authority, at any time, delivers to the Escrow Agent written instructions instructing the Escrow Agent to liquidate, sell or otherwise dispose of any or all securities or investments in the Escrow Fund, purchase or otherwise acquire Eligible Securities, and/or to release any moneys or securities therein to the Authority, and further delivers to the Escrow Agent, each of the following:

(a) a revised Schedule A (together with a certification by the Authority that the securities or investments described therein are Eligible Securities);

(b) a report of a nationally recognized firm of independent certified public accountants (or other independent firm acceptable to the Authority) verifying that the securities or investments described on such Schedule A will provide moneys, available in both time and amount, to enable timely payment of all amounts required in accordance with Section 5; and

(c) an opinion of nationally recognized bond counsel to the effect that the liquidation, sale or other disposition of securities or investments in the Escrow Fund, the purchase or other acquisition of securities or investments and the deposit thereof in the Escrow Fund, or the release of amounts from the Escrow Fund as described in this Section 7 will not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Prior Bonds or the 2009 Bonds, or the exemption of interest on the Prior Bonds or the 2009 Bonds from State of California personal income taxes;

then the Escrow Agent shall liquidate, sell or otherwise dispose of the securities in the Escrow Fund, shall purchase (or retain) the securities or investments described in such revised Schedule A and transfer to the Authority, free and clear of the lien of this Escrow Agreement, any and all amounts in the Escrow Fund not required for the purchase of the investments described on such Exhibit A, all in accordance with such instructions from the Authority referred to above.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage

confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, however, that the Authority shall be entitled to receive brokerage confirmations with respect to any transaction upon request. The Escrow Agent will furnish the Authority monthly cash transaction statements as soon as possible after the end of each month which include detail for all investment transactions made by the Escrow Agent hereunder.

SECTION 8. Liability of Escrow Agent.

(a) The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Escrow Agent shall have no lien whatsoever on the Escrow Fund or moneys on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement or otherwise.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund or Escrowed Securities purchased at the direction of the Authority to pay the principal and premium, if any, of, and interest on, the Prior Bonds identified in Schedule B.

(c) In the event of the Escrow Agent's failure to account for any of the Escrow Fund or moneys received by it, said Escrow Fund or moneys shall, nevertheless, be and remain in trust for the holders of the Prior Bonds identified in Schedule B or portions thereof, as herein provided.

(d) The Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Agent and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever in and nature which may be imposed on, incurred by, or asserted against, at any time the Escrow Agent (whether or not also indemnified against by any person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Authority shall not be required to indemnify the Agent against its own negligence or willful misconduct. The indemnities contained in this Section 8(d) and the compensation and reimbursement contained in Section 15 shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Agent.

SECTION 9. Sufficiency of Escrow. The Authority agrees that if for any reason the investments and moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay timely principal of, and interest on, the Prior Bonds identified in Schedule B, the Authority shall continue to be liable therefor.

SECTION 10. Successor Escrow Agent. Any corporation into which the Escrow Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Agent shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall, if satisfactory to the Authority, be the successor Escrow Agent

under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 11. Termination. This Escrow Agreement shall terminate when (i) all transfers and payments required to be made by the Escrow Agent under the provisions of Section 5 hereof shall have been made, (ii) any moneys remaining in the Escrow Fund at the time of such termination shall have been transferred as provided in Section 5 hereof, and (iii) the Escrow Agent has made a final report to the Authority.

SECTION 12. Tax-Exempt Nature of Interest. The Authority covenants and agrees for the benefit of the holders of the Prior Bonds and the 2009 Bonds that it will not perform or permit to be performed any thing or act in such manner as would cause interest on the Prior Bonds or the 2009 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 13. Severability. If any one or more of the covenants and agreements provided in this Escrow Agreement on the part of the Authority or the Escrow Agent should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 14. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Authority and the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Compensation of Escrow Agent. For acting under this Escrow Agreement, the Escrow Agent shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Agent in connection with its services under this Escrow Agreement; however, such amount shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the lien set forth in Section 4 of this Escrow Agreement.

SECTION 16. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

SECTION 17. Heading. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

SECTION 18. Counterparts. This Escrow Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

SECTION 19. City A Third Party Beneficiary. The City is hereby designated as a third party beneficiary hereunder for the purpose of enforcing any of the obligations of the Escrow Agent contained in this Escrow Agreement.

SECTION 20. Amendments. Other than as provided in Section 7, this Escrow Agreement may be amended only (i) upon the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel to the effect that such amendment does not adversely materially affect the holders of the Prior Bonds or the 2009 Bonds, or (ii) with the consent of all of the Owners of the Prior Bonds being defeased hereby.

IN WITNESS WHEREOF, the City of Beverly Hills Public Financing Authority and U.S. Bank National Association, as Escrow Agent, have each caused this Escrow Agreement to be executed, and U.S. Bank National Association, as trustee for the Prior Bonds has caused this Escrow Agreement to be acknowledged, by their duly authorized officers as of the date first above written.

**CITY OF BEVERLY HILLS PUBLIC
FINANCING AUTHORITY**

By: _____
Chief Financial Officer

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent**

By: _____
Authorized Officer

**ACKNOWLEDGEMENT OF U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE FOR THE PRIOR BONDS**

U.S. BANK NATIONAL ASSOCIATION, as Trustee for the Prior Bonds, hereby acknowledges the provisions of this Escrow Agreement and, in particular, Section 5 hereof and, as such provisions are applicable to U.S. Bank National Association, in its capacity as Trustee for the Prior Bonds, agrees to comply therewith.

U.S. BANK NATIONAL ASSOCIATION,
as trustee

By: _____
Authorized Officer

SCHEDULE A

Escrow Fund

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
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Escrow Cash Flow

Period Ending	Prior Bond Interest	Prior Bond Principal	Prior Bond Redemption Premium	Prior Bond Debt Service Total	Net Escrow Receipts*	Excess Receipts	Excess Balance
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*Starting cash balance in the Escrow Fund is \$ _____

SCHEDULE B

PRIOR BONDS

**City of Beverly Hills Public Financing Authority
Lease Revenue Bonds
1999 Refunding Series A***

Prior Bonds*

<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Coupon</u>
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*To be redeemed at a price of 101% plus accrued interest on December __, 2009

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2009

NEW ISSUE - FULL BOOK-ENTRY

RATINGS: Moody's: "____"
Standard & Poor's: "____"
Fitch: "____"
 See "Ratings"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2009 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)

Dated: Date of Delivery

Due: June 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "2009 Bonds") are being issued by the City of Beverly Hills Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on _____, 2009, and an Indenture dated as of November 1, 2009 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee for the 2009 Bonds (the "Trustee"). Under this authority, the 2009 Bonds may be issued in a principal amount not to exceed \$ _____. See "THE 2009 BONDS – Authority for Issuance."

Use of Proceeds. The 2009 Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain capital improvements (the "Improvements") to be owned and operated by the City of Beverly Hills (the "City"), (ii) refund and defease in full the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 1999 Refunding Series A," (ii) refund and defease in full the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2001 Refunding Series A," (iv) provide a reserve fund for the 2009 Bonds, and (v) pay the costs of issuing the 2009 Bonds. See "FINANCING PLAN."

Security for the 2009 Bonds. Under the Indenture, the 2009 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Property Lease, dated as of November 1, 2009, by and between the Authority, as lessor, and the City, as lessee (the "Property Lease"), consisting primarily of rental payments (the "Base Rental Payments") made by the City under the Property Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2009 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2009 BONDS."

Bond Terms; Book-Entry Only. The 2009 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2010, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The 2009 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2009 Bonds will not receive certificates representing their interests in the 2009 Bonds. Payments of the principal of, premium, if any, and interest on the 2009 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2009 Bonds. See "THE 2009 BONDS – General Provisions."

Redemption. The 2009 Bonds are subject to optional redemption, mandatory redemption from insurance or condemnation proceeds, and mandatory sinking account redemption prior to maturity. See "THE 2009 BONDS – Redemption."

NEITHER THE 2009 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2009 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2009 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE

(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2009 BONDS.

The 2009 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the 2009 Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2009.

De La Rosa

The date of this Official Statement is: _____, 2009

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____ **Serial Bonds**
(Base CUSIP†: _____)

<u>Maturity</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ ____ % Term Bond due June 1, 20____, Price: ____% CUSIP† No. ____

† Copyright 2009, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City, the Authority nor the Underwriter assume any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
CITY OF BEVERLY HILLS**

AUTHORITY BOARD/CITY COUNCIL

Nancy Krasne, *Chair/ Mayor*
Jimmy Delshad, *Vice Chair/Vice Mayor*
Barry Brucker, *Director/Councilmember*
William W. Brien, MD, *Director/Councilmember*
John A. Mirisch, *Director/Councilmember*

AUTHORITY/CITY OFFICIALS

Roderick J. Wood, *Executive Director/City Manager*
Katie E. Lichtig, *Assistant City Manager*
Laurence S. Wiener, *City Attorney*
Eliot M. Finkel, *City Treasurer*
Byron Pope, *Secretary/City Clerk*
Scott G. Miller, PhD, *Chief Financial Officer/Director of Administrative Services and Chief Financial Officer*
David Gustavson, *Director of Public Works and Transportation*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2009 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2009 Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2009 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Indenture.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2009 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2009 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2009 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2009 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

\$ _____ *

**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2009 Lease Revenue Bonds
(Capital Improvement and Refunding Project)**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2009 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX A."

Authority for Issuance. The City of Beverly Hills Public Financing Authority (the "Authority") is issuing the bonds captioned above (the "2009 Bonds") under the following:

(a) Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 (the "Bond Law"),

(b) resolutions adopted by the Board of Directors (the "Board") of the Authority on _____, 2009 (the "Authority Resolution"), and by the City Council (the "City Council") of the City of Beverly Hills (the "City") on _____, 2009 (the "City Resolution"), and

(c) an Indenture (the "Indenture"), dated as of November 1, 2009, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Form of Bonds; Book-Entry Only. The 2009 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee, which will act as securities depository for the 2009 Bonds. Purchasers of the 2009 Bonds will not receive certificates representing the 2009 Bonds that are purchased. See

* Preliminary; subject to change.

“THE 2009 BONDS - Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purpose of the 2009 Bonds. The 2009 Bonds are being issued to provide funds to (i) finance the acquisition and construction of certain capital improvements (the “Improvements”) to be owned and operated by the City, (ii) refund and defease in full the outstanding bonds of the Authority captioned “Lease Revenue Bonds, 1999 Refunding Series A,” (iii) refund and defease in full the outstanding bonds of the Authority captioned “City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2001 Refunding Series A,” (iv) provide a reserve fund for the 2009 Bonds, and (v) pay the costs of issuing the 2009 Bonds. See “FINANCING PLAN.”

Security for the 2009 Bonds and Pledge of Revenues. Under the Indenture, the 2009 Bonds are payable from and secured by a first pledge of and lien on “Revenues” (as defined in this Official Statement) received by the Authority under the Property Lease, dated as of November 1, 2009, between the Authority, as lessor, and the City, as lessee (the “Property Lease”), consisting primarily of rental payments (the “Base Rental Payments”) made by the City under the Property Lease. See “SECURITY FOR THE 2009 BONDS.”

The City and the Authority will enter into a Site and Facility Lease dated as of November 1, 2009 (the “Site Lease”). Under the Site Lease, the City will lease certain real property to the Authority, consisting generally of the City’s police department headquarters, fire department headquarters, and City Hall parking structure (collectively, the “Leased Property”). Concurrently, the City and the Authority will enter into the Property Lease, under which the Authority will lease the Leased Property back to the City for the purpose of financing the Improvements. See “THE LEASED PROPERTY.”

Parity Obligations. Under the Indenture, the Authority may issue additional bonds secured by Revenues on a parity with the 2009 Bonds, provided that the conditions set forth in the Indenture are met. See “SECURITY FOR THE 2009 BONDS – Additional Bonds.”

Reserve Fund. A Reserve Fund will be established and available if there are insufficient amounts in the Revenue Fund to make payment on the 2009 Bonds. Upon delivery of the 2009 Bonds, the Authority will meet the “Reserve Requirement” (described herein) by depositing a portion of the proceeds of the 2009 Bonds with the Trustee at closing. See “FINANCING PLAN” and “SECURITY FOR THE 2009 BONDS – Reserve Fund.”

Redemption. The 2009 Bonds are subject to optional redemption, mandatory redemption from the proceeds of insurance or condemnation proceeds, and mandatory sinking account redemption prior to their stated maturity dates. See “THE 2009 BONDS – Redemption.”

Abatement. The Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and possession of the Site and Facilities or any portion thereof. If the Base Rental Payments are abated under the Property Lease, the Bond Owners would receive less than the full amount of principal of and interest on the 2009 Bonds. To the extent proceeds of rental interruption insurance are available or there are moneys in the Reserve Fund with respect to the 2009 Bonds (as described below), Base Rental Payments (or a portion thereof) may be made from those sources during periods of abatement. See “SECURITY FOR THE 2009 BONDS – Abatement” and “BOND OWNERS’ RISKS.”

Risks of Investment. The 2009 Bonds are repayable only from Base Rental Payments and other amounts payable by the City under the Property Lease. For a discussion of some of the risks associated with the purchase of the 2009 Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE 2009 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2009 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2009 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

The Improvements

The Authority and the City intend to use a portion of the proceeds of the 2009 Bonds to finance the cost of the "Improvements," which are generally defined in the Indenture and the Property Lease as the design and construction of the following project (and any other capital improvements approved by the City Council): the acquisition, construction and installation of four water tanks to be located in the City. The Project is currently anticipated to be constructed in stages (one tank being done at a time) completed within approximately 30 months.

Refunding Plan - 1999 Bonds

General. The Authority will apply a portion of the proceeds from the sale of the 2009 Bonds to establish an irrevocable escrow to refund and legally defease, on an advance basis, all of the outstanding lease revenue bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 1999 Refunding Series A" (the "1999 Bonds"), which were issued on March 3, 1999, in the original principal amount of \$92,425,000, and are currently outstanding in the principal amount of \$59,565,000.

Refunding of 1999 Bonds. All of the outstanding 1999 Bonds will be refunded on December __, 2009, at a redemption price equal to 101% of the principal amount of the outstanding 1999 Bonds, plus accrued interest to the redemption date.

1999 Escrow Fund. A portion of the proceeds of the 2009 Bonds will be deposited with the Trustee, acting as escrow agent (the "1999 Escrow Agent"), under an Escrow Agreement dated as of November 1, 2009, by and between the Authority and the 1999 Escrow Agent.

The amounts deposited from the proceeds of the 2009 Bonds, together with certain other available moneys, will be in an amount sufficient to pay the principal of, interest on and redemption premium on the 1999 Bonds on their redemption date. These amounts will be held by the 1999 Escrow Agent uninvested or invested in Federal Securities.

Refunding Plan - 2001 Bonds

General. The Authority will apply a portion of the proceeds from the sale of the 2009 Bonds to establish an irrevocable escrow to refund and legally defease, on a current basis, all of the outstanding lease revenue bonds of the Authority captioned "City of Beverly Hills Public Financing Authority Lease Revenue Bonds, 2001 Refunding Series A" (the "2001 Bonds"), which were issued on December 5, 2001, in the original principal amount of \$10,680,000, and are currently outstanding in the principal amount of \$4,365,000.

Refunding of 2001 Bonds. All of the outstanding 2001 Bonds will be refunded on December _____, 2009, at a redemption price equal to the principal amount of the outstanding 2001 Bonds, plus accrued interest to the redemption date, without premium.

Escrow Fund. A portion of the proceeds of the 2009 Bonds will be deposited with the Trustee, acting as escrow agent (the "2001 Escrow Agent"), under an Escrow Agreement dated as of November 1, 2009, by and between the Authority and the 2001 Escrow Agent.

The amounts deposited from the proceeds of the 2009 Bonds, together with certain other available moneys, will be in an amount sufficient to pay the principal of, interest on and redemption premium on the 1999 Bonds on their redemption date. These amounts will be held by the 2001 Escrow Agent uninvested or invested in Federal Securities.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2009 Bonds are as follows:

Sources:

Principal Amount of 2009 Bonds	\$
<i>Plus</i> Original Issue Premium	
<i>Plus</i> Funds Related to 1999 Bonds	
<i>Plus</i> Funds Related to 2001 Bonds	
<i>Less</i> Underwriter's Discount	
TOTAL SOURCES	\$

Uses:

Deposit to Reserve Fund [1]	\$
Deposit to Costs of Issuance Fund [2]	
Deposit to Refunding Fund [3]	
Deposit to Improvement Fund [4]	
TOTAL USES	\$

-
- [1] Equal to the Reserve Requirement with respect to the 2009 Bonds at Closing. See "SECURITY FOR THE 2009 BONDS – Reserve Fund."
 - [2] Represents funds to be used to pay Costs of Issuance, which include legal fees, financial advisor's fee, printing costs, rating agency fees and other miscellaneous expenses.
 - [3] Represents funds to be (i) transferred to the 1999 Escrow Agent under the 1999 Escrow Agreement and used to defease and redeem the 1999 Bonds, and (ii) transferred to the 2001 Escrow Agent under the 2001 Escrow Agreement and used to defease and redeem the 2001 Bonds. See "– Refunding Plan" above.
 - [4] Represents funds to be used to finance the costs of the Improvements. See "– The Improvements" above.

THE LEASED PROPERTY

General

Description and Location. Base Rental payments will be made by the City under the Property Lease for the use and occupancy of the Leased Property, which consists generally of the following:

Fire Department Headquarters. The Fire Department headquarters building is a ___-story structure containing approximately ___ square feet, which is located at _____ in the City. It was originally constructed in ____.

Police Department Headquarters. The Police Department headquarters building is a ___-story structure containing approximately ___ square feet, which is located at _____ in the City. It was originally constructed in ____.

City Hall Parking Structure. The City Hall parking structure is a ___-story structure containing approximately ___ square feet and ___ parking spaces, which is located at _____ in the City. It was originally constructed in ____.

Estimated Valuation. The City currently estimates that the Leased Property has the following values:

Fire Department Headquarters. The Fire Department headquarters building has an estimated value of \$_____, based on _____.

Police Department Headquarters. The Police Department headquarters building has an estimated value of \$_____, based on _____.

City Hall Parking Structure. The City Hall parking structure has an estimated value of \$_____, based on _____.

Changes to Leased Property

Under the Property Lease, subject to the approval of the Authority, the City will have the right during the term of the Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if those additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. The City may remove any fixture, structure or sign added by the City, but such removal will be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

Substitution

Under the Property Lease, the City may amend Exhibit A to the Property Lease to substitute property (the "Substitute Leased Property") for all or a portion of the Leased Property thereunder upon compliance with all of the conditions set forth in the Property Lease, which include (among others) the following:

- The City must deliver a certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which is prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that:

- (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of Substitution;

- (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term of the Property Lease; and

- (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

See "APPENDIX A."

After a substitution, all or a portion of the Leased Property originally leased under the Property Lease will be released from the leasehold thereunder, as appropriate. The Authority and the City will also make any amendments needed to be made to the Property Lease, and will enter into any necessary site or ground leases in connection with such substitution. Such amendments may be made without the consent of Bondowners.

Removal of Leased Property

Under the Property Lease, the City has the option at any time and from time to time during the term of the Property Lease to remove from the Property Lease any portion of the Leased Property; provided that the City satisfies all of the requirements under the Property Lease that are conditions precedent to such removal, which include (among others) the following:

- The City must file with the Authority and the Trustee an appraisal (which is prepared by an MAI appraiser selected by the City and who may be an employee of the City) stating that the annual fair rental value of the remaining Leased Property, taking into consideration the removal of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of such removal.

- The City must certify in writing to the Authority and the Trustee that the estimated useful life of the Leased Property that will remain following such removal at least extends to the date on which the final Lease Payment becomes due and payable under the Property Lease, and that the City will have the beneficial use and occupancy of the Leased Property that will remain following such removal.

- A letter from each rating agency then rating the 2009 Bonds to the effect that such removal will not reduce the then current rating on the 2009 Bonds.

See "APPENDIX A."

Addition of Leased Property

The City may, at any time it deems it necessary or advisable, amend the Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased under the Property Lease.

If the addition to the Leased Property (the "Addition") is being done in connection with the issuance of Additional Bonds, the additional requirements set forth in the Property Lease apply, which include (among others) the following:

- The City must provide a certificate of the City based (with respect to clauses (i) and (ii) below) on an appraisal (which shall be prepared by a certified appraiser selected by the City and who may be an employee of the City) stating that:

- (i) the annual fair rental value of the Leased Property (including the Addition) is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Property Lease at the time of such Addition;

- (ii) the remaining useful life of such Leased Property (including the Addition) is at least equal to the remaining term of the Property Lease; and

- (iii) the City will, at the time of the Addition, have beneficial use and occupancy of all of the Leased Property.

- Written notice of such Addition must be given by the City to any Rating Agency then rating the 2009 Bonds.

THE 2009 BONDS

Authority for Issuance

The 2009 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of the Authority on _____, 2009), the City Resolution (which was adopted by the City Council on _____, 2009), and the Indenture. Under the Authority Resolution and the City Resolution, the 2009 Bonds may be issued in a principal amount not to exceed \$ _____.

General Provisions

Bond Terms. The 2009 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The 2009 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the 2009 Bonds will be payable on June 1 and December 1 in each year, beginning June 1, 2010 (each an "Interest Payment Date").

While the 2009 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the 2009 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2009 Bonds. See "– Book-Entry Only System" below.

Interest with respect to any 2009 Bond will be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, sent on such Interest Payment Date to the Owner by first-class mail, postage prepaid, at his address as it appears on the registration book maintained by the Trustee, or, upon written request of an Owner of at least \$1,000,000 in aggregate principal amount of 2009 Bonds received by the Trustee on or prior to the Record Date, by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner. Payments of defaulted interest will be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owners by first class mail not less than 10 days prior thereto.

Principal and premium, if any, with respect to each 2009 Bond is payable upon surrender of such 2009 Bond at the Principal Corporate Trust Office of the Trustee upon maturity or the earlier redemption thereof.

The principal of, premium, if any, and interest on the 2009 Bonds will be payable in lawful money of the United States of America.

Calculation of Interest. Interest on the 2009 Bonds will accrue from the Interest Payment Date next preceding its date of authentication unless:

- (i) it is authenticated after a Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto will be payable from such Interest Payment Date, or

(ii) it is authenticated on or before the Record Date immediately preceding the first Interest Payment Date, in which event interest with respect thereto will be payable from its dated date.

However, if at the time of authentication of any 2009 Bond, interest with respect thereto is in default, interest with respect thereto will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or from its dated date if no interest has been paid or made available for payment.

Interest with respect to the 2009 Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Transfer, Registration and Exchange

See "APPENDIX A – Summary of Principal Legal Documents" for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the 2009 Bonds.

Redemption*

Mandatory Redemption from Insurance or Condemnation Proceeds. The Trustee will, on such date as is set forth in a Request of the Authority, redeem the 2009 Bonds as a whole, or in part pro rata among maturities of all Bonds and by lot within any maturity if less than all of the 2009 Bonds of a particular maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in, the Indenture, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption from Sinking Account Payments. The Term Bonds maturing on June 1, 20__ are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on June 1, 20__ and on each June 1 thereafter to and including June 1, 20__ from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
20__	
20__	
20__	
20__ (Maturity)	

* Preliminary; subject to change.

The Term Bonds maturing on June 1, 20__ are subject to mandatory redemption from mandatory Sinking Account Payments, in part, by lot, on June 1, 20__ and on each June 1 thereafter to and including June 1, 20__ from money on hand in the Principal Fund at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. The principal amount of such Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
20__	
20__	
20__	
20__ (Maturity)	

Mandatory Sinking Account Payments will be adjusted as directed by the Authority in the event of a partial redemption through mandatory redemption from insurance or condemnation proceeds or optional redemption.

Purchase in Lieu of Redemption. In lieu of mandatory sinking account redemption of the Term Bonds as described above, amounts on deposit in the Revenue Fund (to the extent not required to be deposited by the Trustee in the Interest Fund or the Principal Fund during the current Bond Year) may also be used and withdrawn by the Authority, upon the Request of the Authority delivered to the Trustee, at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any 12-month period ending on April 1 in any year will be credited towards and will reduce the par amount of such Term Bonds required to be redeemed on the next succeeding June 1.

Optional Redemption. The 2009 Bonds maturing on or after June 1, 201_ are subject to optional redemption prior to maturity on or after June 1, 201_ at the option of the Authority, as a whole or in part on any date, as set forth in a Request of the Authority, from such maturities as are selected by the Authority, from amounts deposited with the Trustee by the Authority from any funds available therefor other than from the proceeds of insurance or condemnation as described above, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Selection of Bonds for Redemption. For purposes of selecting 2009 Bonds for redemption, 2009 Bonds will be deemed to be composed of \$5,000 portions or any integral multiple thereof.

Whenever less than all the Outstanding Bonds of the same issue maturing on any one date are called for redemption through mandatory redemption from insurance or condemnation proceeds or optional redemption at any one time, the Trustee will select the 2009 Bonds or portions thereof to be redeemed from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate. If less than all the Outstanding Bonds are called for redemption through mandatory redemption from insurance or condemnation proceeds or optional redemption at any one time, the Authority will specify to the Trustee a principal amount in each maturity of each issue to be redeemed

such that the Base Rental Payments following such redemption will not exceed the fair rental value of the Leased Property in any year.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) two or more Information Services and (iii) the Securities Depositories.

Each notice relating to mandatory redemption from insurance or condemnation proceeds or optional redemption will state that such redemption may be rescinded by the Authority on or prior to the date set for redemption.

The Trustee will mail by certified mail with return receipt requested a second, notice of redemption 60 days after the scheduled redemption date to Owners who failed to surrender their Bonds on such redemption date.

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

Rescission of Redemption Notice. The Authority will have the right to rescind any redemption from insurance or condemnation proceeds or optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Effect of Redemption. When notice of redemption has been duly given as set forth in the Indenture, and moneys for payment of the redemption price are deposited with the Trustee, the 2009 Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Bonds so called for redemption will cease to accrue, those Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. Subject to provisions of the Indenture regarding payment of the 2009 Bonds after discharge of the Indenture, the Trustee will, upon surrender for payment of any of such Bonds, pay such Bonds at the redemption price set forth in the Indenture.

Book-Entry Only System

The 2009 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the 2009 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a 2009 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for

subsequent disbursement to Beneficial Owners of the 2009 Bonds. Purchasers of the 2009 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2009 Bonds.

Year Ending <u>June 1</u>	2009 Bonds <u>Principal</u>	2009 Bonds <u>Interest</u>	Total 2009 Bonds <u>Debt Service</u>
2010	\$ -0-	\$	\$
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
Total:			

SECURITY FOR THE 2009 BONDS

The principal of and interest on the 2009 Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2009 Bonds and certain provisions of the Indenture, the Property Lease and the Site Lease. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Indenture, the Property Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Under the Indenture, the Authority pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Authority in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Indenture, will be prior in right to any other pledge, lien or security interest created by the Authority therein:

- (i) the Revenues,
- (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time to time by the Trustee under the Indenture,
- (iii) earnings on amounts included in provisions (i) and (ii) above,
- (iv) all of the right, title and interest of the Authority in the Property Lease (except for the right of the Authority to be indemnified thereunder and the obligation of the Authority and the City to rebate Excess Investment Earnings to the federal government), and
- (v) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture, for the equal and proportionate benefit and security of the 2009 Bonds and any Outstanding Additional Bonds (collectively, the "Bonds"),

all of which, regardless of the time or times of their authentication and delivery or maturity, will be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Revenues may not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by the provisions of the Indenture concerning the allocation of Revenues to special funds.

Revenues Held in Trust. Except as otherwise provided in the provisions of the Indenture concerning the investment of moneys in funds, all Revenues to which the Authority may at any time be entitled will be paid directly to the Trustee and all of the Revenues collected

or received by the Authority will be deemed to be held in trust and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time will be deposited by the Authority with the Trustee within one Business Day after the receipt thereof.

All such Revenues will be immediately deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund." The Revenue Fund will be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding.

All moneys at any time deposited in the Revenue Fund will be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, as described below.

Definition of Revenues. "Revenues" are defined in the Indenture as follows:

(i) proceeds of the Bonds, if any, deposited in the Interest Fund, and the Reserve Fund,

(ii) the Base Rentals set forth in the Property Lease which are received by the Trustee for the benefit of the Owners of the Bonds,

(iii) the net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee for the purpose of paying debt service on the Bonds or redeeming Bonds,

(iv) other amounts received by the Trustee for the benefit of the Owners of the Bonds, and

(v) all other revenues, proceeds, charges, income, rents, receipts, profits and benefits derived by the Authority as lessor of the Leased Property under the Property Lease or otherwise from the use and operation of the Leased Property or arising out of the Leased Property (other than Additional Rental) and payable to the Trustee under the Indenture,

(vi) interest or profits from the investment of money in any fund or account created under the Indenture (other than the Rebate Fund) which by the terms hereof are required to be deposited in the Revenue Fund or the Reserve Fund,

(vii) any contributions from whatever source, and

(viii) all rentals received by the Authority as lessor of the Leased Property from any additions or extensions of the Leased Property hereafter acquired or constructed.

Allocation of Revenues by Trustee; Application of Funds

Transfers from the Revenue Fund. Under the Indenture, upon receipt thereof, the Trustee will deposit all Revenues in the Revenue Fund. The Trustee will thereupon deposit all moneys in the Revenue Fund in one or more of the funds set forth below, each of which the Trustee will establish, maintain and hold in trust, and the moneys in each of which will be

disbursed and applied only as authorized in the Indenture. Such Revenues will be deposited in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) *Interest Fund.* The Trustee, on or before the Business Day next preceding each Interest Payment Date, will deposit in the Interest Fund an amount which, together with any balance then on deposit in the Interest Fund, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date.

Any moneys in the Interest Fund not then required for the payment of interest on the next succeeding Interest Payment Date will be carried forward and applied to the payment of interest on any subsequent Interest Payment Date. Moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable (including accrued interest on any Bonds redeemed or purchased prior to maturity), subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(b) *Principal Fund.* The Trustee, on or before the Business Day next preceding each Principal Payment Date and on or before each Sinking Account Payment Date, after making the deposit into the Interest Fund on such date, will deposit in the Principal Fund an amount which, together with any balance then on deposit in the Principal Fund, equals the principal of the Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the Bonds in accordance with the terms of the Indenture.

Any moneys in the Principal Fund not then required for the payment of such principal on such Principal Payment Date or Sinking Account Payment Date will be carried forward and applied to the payment of principal on any subsequent Principal Payment Date or Sinking Account Payment Date. Moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable, subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(c) *Reserve Fund.* On or before each Interest Payment Date, after making all deposits to the Interest Fund and the Principal Fund, the Trustee will deposit in the Reserve Fund such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

(d) *Surplus Revenue Fund.* After making the deposits to the Interest Fund, Principal Fund and Reserve Fund, the Trustee, on or before the Business Day immediately preceding each Principal Payment Date, will deposit any remaining Revenues in the Surplus Revenue Fund. The Trustee will, immediately upon making each deposit in the Surplus Revenue Fund, determine if any moneys then in the Surplus Revenue Fund are required for the payment of principal of or interest on the Bonds on such Principal Payment Date or for the replenishment of the Reserve Fund so that amounts on deposit therein are not less than the Reserve Fund Requirement, and will hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund, the Principal Fund or the Reserve Fund as so needed. Except as provided above, moneys in the Surplus Revenue Fund will be paid to, or at the direction of, the City within 60 Business Days after each Principal Payment Date.

(e) *Insurance and Eminent Domain Proceeds Fund.* The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee will be

deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in the Indenture.

Application of Reserve Fund

General. Moneys in (or available to) the Reserve Fund will be applied solely for the purpose of paying the interest on the Bonds as it becomes due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture, or for the purpose of paying the principal of the Bonds as it becomes due (in both instances, however, only to the extent that there are insufficient moneys available for such purposes in the Interest Fund or the Principal Fund).

Reserve Fund Requirement. The "Reserve Fund Requirement" is defined in the Indenture, as of the date of calculation by the Authority or the City, the lesser of

- (i) the amount of Maximum Annual Debt Service on the Bonds,
- (ii) 10% of the total of the proceeds of the Bonds, and
- (iii) 125% of average Annual Debt Service on the Bonds.

However, in no event may the Authority or the City, in connection with the issuance of Additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, if such amount of any deposit into the Reserve Account is so limited, the Reserve Fund Requirement will, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit.

Transfers of Excess Moneys. Any moneys in excess of the Reserve Fund Requirement in the Reserve Fund will, on or before any June 1 occurring while any Bonds are Outstanding, be transferred to the Rebate Fund or the Revenue Fund, as directed by a Designated Officer of Authority. For purposes of determining the amount or existence of any such excess, the Trustee will cause the investments in the Reserve Fund to be valued at their Value as of each May 15 (or if such day is not a Business Day, then the next succeeding Business Day).

Application Toward Final Debt Service. To the extent that amounts are held in the Reserve Fund at the time of the final payment of debt service due on the Bonds, such amounts may be used to pay, in whole or in part, such final payment.

Substitution of Reserve Surety. Notwithstanding anything in the Indenture to the contrary, at the option of the Authority, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Reserve Fund Credit Facility with the Trustee; provided that with respect to any such substitution, the following conditions apply:

- (i) such substitution may not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Authority will notify each Rating Agency prior to making any such substitution), and

(ii) the Trustee must receive prior to any such substitution becoming effective an Opinion of Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Amounts on deposit in the Reserve Fund for which a Reserve Fund Credit Facility has been substituted will be released to or at the direction of the City.

Allocation if Cash and Reserve Surety Are on Deposit. If at any time there is a combination of cash and a Reserve Fund Credit Facility on deposit in the Reserve Fund, the Trustee will withdraw such cash in full prior to drawing on the Reserve Fund Credit Facility and, if and to the extent the Reserve Fund Credit Facility has been drawn upon, the Trustee will reimburse the amount of such draws with any applicable interest thereon prior to making any cash deposits into the Reserve Fund.

Reserve Surety Limited to One or More Issues of Bonds. If a Reserve Fund Credit Facility is available to be drawn upon for only one or more particular issue of Bonds, a separate account in the Reserve Fund may be established for such series and the calculation of the Reserve Fund Requirement with respect to all other Bonds will exclude the debt service on such series of Bonds.

Separate Subaccounts. Additionally, the Reserve Fund may be maintained in the form of one combined Reserve Fund or in the form of one or more separate accounts and subaccounts established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Authority or the City in writing to the Trustee.

Base Rental Payments

Requirement to Make Base Rental Payments. Under the Property Lease, the City is required to pay to the Authority, as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of the Property Lease concerning the extension of the lease term, fair rental value, rental abatement and eminent domain) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in the Property Lease.

Base Rental will be payable on each "Base Rental Payment Date" (defined as May 25 and November 25 of each year, beginning May 25, 2010) during the term of the Lease.

Base Rental will be for the use and occupancy of the Leased Property for the Lease Year in which such May 25 and November 25 occurs, provided that the Base Rental paid on any May 25 or November 25 will only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of the Property Lease is extended, the payments of Base Rental will continue until such time as the Property Lease terminates in accordance with its terms.

Payment in Installments. Each installment of Base Rental payable under the Property Lease and each installment of Additional Rental (as described below) payable under the Property Lease will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority designates.

Any delinquent installment of Base Rental payable under the Property Lease will be deposited in the Reserve Fund created under the Indenture, and, except as otherwise provided in the Property Lease, any such installment of Base Rental or Additional Rental accruing under the Property Lease which is not paid when due will bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law.

Offsets and Credits. Notwithstanding any dispute between the Authority and the City, the City is obligated to make all rental payments when due under the Property Lease without deduction or offset of any kind and may not withhold any rental payments pending the final resolution of such dispute.

The City will receive a credit for any Base Rental payment if and to the extent a credit is due to the City due to abatement.

Additional Rental

Under the Property Lease, the City is also required pay to the Authority (but only after payment of Base Rental), as Additional Rental thereunder, such amounts as are required by the Authority for the payment of the following:

(a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received hereunder for the retirement of the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges).

(b) All reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

(c) Insurance premiums for all insurance required under the Property Lease and not obtained by the City.

(d) Amounts payable by the Authority to the provider of any Reserve Fund Credit Facility in connection with the 2009 Bonds or any Additional Bonds that are not paid from Base Rental payments (but only to the extent that the payment of such amounts do not cause the amount of Base Rental and Additional Rental paid during any Lease Year to exceed the fair rental value of the Leased Property during such Lease Year).

(e) Amounts, if any, required to be rebated by the Authority to the United States of America under the Indenture.

Fair Rental Value

The payments of the Base Rental and Additional Rental during the term of the Property Lease will constitute the total rental for the City's use and occupancy of the Leased Property for the Lease Year in which such payments are scheduled to be made, and the City and the Authority have agreed and determined that such total rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the costs of financing and leasing of the Leased Property by the Authority, the uses and purposes which may be served by the Leased Property, and the benefits which will accrue to the Authority, the City and the general public therefrom.

Notwithstanding any other provision of the Property Lease, if rental payments due thereunder are abated partially for any period of time, the rental payments due for such period of time may not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Source of Payments; Covenant to Budget and Appropriate Funds for Lease Payments

Under the Property Lease, the City will covenant to take such action as may be necessary to include all Base Rental and Additional Rental payments due thereunder in its annual budgets and to make necessary annual appropriations for all such rental payments.

The City will deliver to the Authority and the Trustee copies of the portion of each proposed City budget relating to the payment of rentals under the Property Lease within 30 days after the first publication of notice of hearing thereof and of the portion of the appropriation or budget resolution relating to the payment of rentals hereunder within 30 days after its filing or adoption.

These covenants will be deemed to be and be construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements agreed to be carried out and performed by the City in the Property Lease.

Abatement

General. During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due under the Property Lease will be abated proportionately.

Under the Property Lease the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease will continue in full force and effect.

Subject to the provisions of the Property Lease concerning fair rental value, in the case of abatement relating to the Leased Property, the amount of abatement will be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City will calculate such abatement and will provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor.

Such abatement will continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of the Property Lease will be extended by the period during which the rental is abated thereunder, except that the term may in no event be extended beyond May 31, 20__.

However, the City will still be obligated to apply amounts legally available to the City for payments due under the Property Lease, including without limitation: amounts available that have been deposited in and transferred from the Revenue Fund under the Indenture; amounts available from the Interest Fund, the Principal Fund, the Reserve Fund and the Surplus Revenue Fund (each as defined in the Indenture); proceeds of rental interruption insurance (as described below); proceeds of any condemnation proceedings; and proceeds of hazard insurance, other property insurance, and title insurance.

Proceeds of Rental Interruption Insurance. Under the Property Lease the City acknowledges and agrees that during any period of abatement with respect to all or any part of the Site, the Authority will use the proceeds of rental interruption insurance maintained under the Property Lease and moneys on deposit in the Reserve Fund maintained under the Indenture to make debt service payments on the Bonds. See “– Property Insurance” below.

Additional Bonds

Under the Indenture, in addition to the 2009 Bonds, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds secured by the Revenues on a parity with the 2009 Bonds, and may issue and deliver such Additional Bonds in such principal amount as may be determined by the Authority, but only upon compliance by the Authority with the provisions of the Indenture regarding the proceedings for issuing Additional Bonds, and subject to the following specific conditions which are made conditions precedent to the issuance of such Additional Bonds:

- (a) Such Additional Bonds must be authorized to finance additional capital improvements of the City, or to refund bonds previously issued to finance such capital

improvements, and the issuance thereof must be determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City must be in compliance with all covenants and undertakings set forth in the Indenture and in the Property Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture may not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture.

(d) The Supplemental Indenture authorizing issuance of such Additional Bonds must require that the balance on deposit in the Reserve Fund upon delivery of the Additional Bonds is a sum at least equal to the Reserve Requirement with respect to all Outstanding Bonds, including the Additional Bonds, and must also establish such accounts and subaccounts within the various funds and accounts established thereby or that the Authority deems necessary or advisable.

(e) Such Additional Bonds must be equally and ratably secured by the Revenues (other than moneys derived from draws on any Insurance Policy or any Reserve Fund Surety Bond) with all other Bonds authorized under the Indenture.

(f) The Authority must enter into an amendment to the Property Lease, in and by which the City obligates itself in the manner provided in the Property Lease to make Base Rental payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Property Lease, and the City must certify in writing that such Base Rental payments, as amended, in any Lease Year will not exceed the fair rental value of the Project.

(g) If necessary to ensure that the Base Rental payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Lease Year, the Authority and the City must amend the Property Lease to add additional property to the Leased Property.

(h) If the Additional Bonds are being issued to finance the construction of a to-be-built project, and such project is to be part of the Leased Property prior to its completion, the Supplemental Indenture authorizing the issuance of such Additional Bonds must require the deposit into a capitalized interest account, or a subaccount therein, an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six months after the anticipated completion date of the Project, but only if such Additional Bonds are issued prior to the substantial completion of such project.

(i) The Authority or the City will obtain a title insurance policy in accordance with the requirements of the Indenture in an amount not less than the initial principal amount of such Additional Bonds, and will increase the amount of rental interruption insurance such that the amount of rental interruption insurance is not less than required by the Property Lease.

Property Insurance

Required Insurance Coverage. Under the Property Lease, throughout the term of the Property Lease, the City is required to maintain or cause to be maintained the following insurance coverage:

(i) General liability insurance against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

(ii) Fire and lightning (i.e., property) insurance (with an extended coverage endorsement and with a vandalism and malicious mischief endorsement) on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) 100% of the replacement cost of such structures (less a deductible amount of not more than \$1,000,000) or (ii) an amount equal to the then principal amount of the Outstanding Bonds. The extended coverage endorsement must, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, if such coverage is commercially available in reasonable amounts at reasonable cost on the open market from reputable insurance companies.

(iii) Earthquake insurance with respect to the Leased Property unless it is not obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies (as determined in the sole discretion of the City).

(iv) Rental income interruption insurance in an amount not less than the total Base Rental payable by the City under the Property Lease during the next succeeding 24 months, plus the Additional Rental expected to be payable under the Property Lease for such period, to insure against loss of rental income from the Leased Property caused by perils covered by the property insurance described under subsection (ii) above.

See "APPENDIX A" for further provisions regarding required insurance coverage for the Leased Property.

Condemnation Proceeds

If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) is taken under the power of eminent domain, the term of the Property Lease will cease as of the day that possession is so taken.

If less than the entirety of the Leased Property is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Property Lease will continue in full force and effect as to such remainder, and the City and the Authority waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Property Lease in an amount to be agreed upon by the City and the Authority, but, subject to the provisions of the Property Lease regarding fair rental value, in no event may the rental be less than the amount required for the retirement of the Bonds and the payment of the interest thereon as such Bonds and interest become due.

So long as any of the Bonds are outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof will be paid to the Trustee and

applied as provided in the Indenture. Any such award made after all of the rentals have been fully paid, or provision therefor made, will be paid to the Authority and to the City as their respective interests may appear.

CITY FINANCIAL INFORMATION

General

The City of Beverly Hills is located in Los Angeles County approximately ten miles west of downtown Los Angeles. The City was originally incorporated on January 28, 1914, and developed in the 1920s and 1930s as a prestigious residential area and the site for homes of many people associated with the burgeoning motion picture industry. In 1919, Douglas Fairbanks and Mary Pickford launched this migration when they purchased a site and built their home, known as Pickfair. The postwar growth of the Los Angeles metropolitan area brought major retailing firms, financial and commercial institutions and professions to the City. Beverly Hills continues as an important retail, financial and professional center servicing an increasingly large market.

For economic and demographic information regarding the City and the County of Los Angeles, see APPENDIX D.

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year. The City Manager and City staff review estimates of revenues and expenditures for each department for the ensuing fiscal year. At least 30 days prior to the beginning of each fiscal year, the City Manager submits to the Council the proposed budget. After reviewing and making such revisions as it deems advisable, the City Council determines the time for the holding of a public meeting thereon.

At the conclusion of the public meeting, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the City Council.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer the appropriations from one object or purpose to another within the divisional budget. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, and at such other times as it shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

Economic Condition and Outlook

The City council was presented a conservative budget for Fiscal Year 2009-10 that reflected the economic slowdown and revenue losses caused along with the ongoing requirements to meet the City's financial responsibilities. The budget anticipated probable impacts of the State of California budget deficit, at that time projected to be \$21.3 billion.

The adopted General Fund budget included the following assumptions

Revenues

- Decreases in sales taxes, transient occupancy taxes and business taxes
- Conservative increase in property tax
- User fee revenue CPI increase of 1.1% and additional new user fees
- Use of General Fund reserves to offset the State borrowing of property tax revenues from cities and counties as permitted under Proposition 1A (following adoption of the General Fund budget, the City Council determined to enter a securitization program whereby the City will sell the receivable that will result from this State borrowing of property tax revenues)

Expenditures

- Increase in salaries as required by agreements
- Increases due to State mandates
- Reduction in departmental operating budget of 15%, including public safety departments

Financial Statements

A copy of the most recent financial statements of the City audited by Mayer Hoffman McCann P.C. (the "Auditor") are included hereto as "APPENDIX B -- AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2008." The Auditor's letter concludes that the basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2008 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principals generally accepted in the United States of America.

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.

General Fund

The four major General Fund revenue sources of the City, which together accounted for approximately 75% of the General Fund revenues in Fiscal Year 2008-09, were as follows:

	Percent of Total General Fund <u>Revenues</u>
Property Tax	23.47%
Business Tax	21.67
Sales Tax	14.74
Transient Occupancy Tax	<u>14.87</u>
Subtotal:	74.75

As shown in Table 2 below, the General Fund operated at a revenue surplus in Fiscal Year 2004-05 through Fiscal Year 2008-09 in the following amounts:

<u>Fiscal Year</u>	<u>Surplus</u>
2004-05	7,281,333
2005-06	14,675,479
2006-07	14,912,288
2007-08	24,098,668
2008-09	5,178,664

Consistent with its usual conservative budgeting practices, the City has adopted a Fiscal Year 2009-10 budget that includes conservative revenue and surplus projections. However, the City anticipates that surplus funds will be available for transfer to capital project funds.

The following tables reflect the City's General Fund balance sheet (Table 1) and revenues, expenditures and fund balances (Table 2) for the Fiscal Years ended June 30, 2005 through June 30, 2009 and the City's General Fund budgeted revenues and expenditures (Table 3) for the Fiscal Year ending June 30, 2010. The budget was adopted in June 2009. This information has been derived from the audited financial statements of the City for the fiscal years ending June 30, 2005 through June 30, 2008 and unaudited financial results for fiscal year ending June 30, 2009. This information should be read in conjunction with "APPENDIX B."

TABLE 1
GENERAL FUND BALANCE SHEET
FISCAL YEARS ENDING JUNE 30, 2005 THROUGH JUNE 30, 2008 (AUDITED)
AND JUNE 30, 2009 (UNAUDITED)

Assets	Audited Fiscal Year 6/30/05	Audited Fiscal Year 6/30/06	Audited Fiscal Year 6/30/07	Audited Fiscal Year 6/30/08	Unaudited Fiscal Year 6/30/09
Cash and investments	\$ 37,035,816	47,134,307	64,602,911	73,361,824	67,595,795
Accounts receivable, net	1,222,871	1,818,036	4,777,878	6,716,413	6,078,520
Interest receivable	338,463	297,885	534,366	187,397	232,350
Taxes receivable	5,843,464	8,038,726	7,122,288	8,054,738	11,834,069
Interfund receivables	4,256,951	200,794	228,419	349,577	1,418,745
Intergovernmental receivables	4,731,510	6,163,675	6,169,478	3,930,408	3,555,865
Prepaid items	78,841	80,946	106,463	94,583	97,628
Advances to other funds	17,643,719	17,137,709	16,603,868	16,040,666	20,207,320
Total assets	<u>\$ 71,151,635</u>	<u>80,872,078</u>	<u>100,145,671</u>	<u>108,735,606</u>	<u>111,020,292</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,463,160	1,463,530	4,261,938	2,666,128	3,035,149
Accrued payroll	1,392,568	1,754,343	2,339,169	2,699,158	2,889,161
Compensated absences	—	—	-	-	-
Interfund payables	—	—	-	-	2,281
Intergovernmental payables	722,555	8,597	913,950	531,912	942,657
Customer deposits	4,378,709	4,029,452	5,300,631	5,504,723	5,465,067
Deferred revenue	3,430,787	4,559,844	5,934,940	4,029,423	6,113,481
Total liabilities	<u>12,387,779</u>	<u>11,815,766</u>	<u>18,750,628</u>	<u>15,431,344</u>	<u>18,447,796</u>
 Fund balances:					
Reserved for:					
Encumbrances	1,891,374	1,459,062	1,693,807	2,534,941	1,101,691
Prepaid expenses	78,841	80,946	106,463	94,583	97,628
Trust Agreement [1]	—	—	—	—	32,000,000
Advances to other funds	17,643,719	17,137,709	16,603,868	16,040,666	20,207,320
Unreserved, reported in:					
General Fund [1]	39,149,922	50,378,595	62,990,905	74,634,072	39,165,857
Total fund balances	<u>58,763,856</u>	<u>69,056,312</u>	<u>81,395,043</u>	<u>93,304,262</u>	<u>92,572,496</u>
Total liabilities and fund balances	<u>\$ 71,151,635</u>	<u>80,872,078</u>	<u>100,145,671</u>	<u>108,735,606</u>	<u>111,020,292</u>

[1] Represents funds deposited in a certificate of deposit to provide collateral for a construction loan for an office building under construction by the City at 331 Foothill Drive. The interest rate on the certificate of deposit is fixed at 1% below the interest rate on the construction loan. Once the construction is complete, the Public Financing Authority will use the land and constructed office building as collateral for a 15-year commercial real estate loan at an interest rate of 5.72%. At that time the certificate of deposit will mature and the funds used as collateral, plus their interest earning, will be released to the City's General Fund. The City has entered into a long-term lease purchase agreement with the Public Financing Authority for the term of and at the annual debt service cost of the mortgage. See "—Long-Term General Fund Obligations" below.
Source: City of Beverly Hills.

Interfund Transfers. Interfund receivable and interfund payable balances at June 30, 2009, shown on the table above consist of the following:

Interfund receivables \$1,418,775. The Law Enforcement Grant Fund and State Park Bonds Special Revenue Funds borrowed \$158,824 and \$192,753 respectively from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable for various law enforcement and park improvement grants. In addition, the current portion of advances to the Parking Enterprise Fund for D-Lot project expenditures and build-out costs of the Beverly Gardens Building in the amount of \$626,858 and \$442,310 respectively are included.

Intergovernmental Receivables. Intergovernmental receivables shown in the table above consist mainly of Sales Tax and state and federal subventions. Starting in the Fiscal Year ending June 30, 2005, intergovernmental receivables increased as a result of the State's action to balance its budget. Commonly referred to as the "triple flip," this State program causes substantial delays in the receipt of sales taxes.

Advances to Other Funds \$20,207,320. The General Fund advanced a total of \$17,137,709 and \$5,387,691 to the Parking Enterprise Fund to cover the D-Lot project expenditures and build out costs of the Beverly Gardens Building respectively. These advances will be repaid at 5.5% interest over a thirty-year and 5-year period respectively. As of June 30, 2009, the Long-term balances of these advances are \$14,819,631 for the D-Lot advance and \$5,387,690 for the Beverly Gardens Building advance.

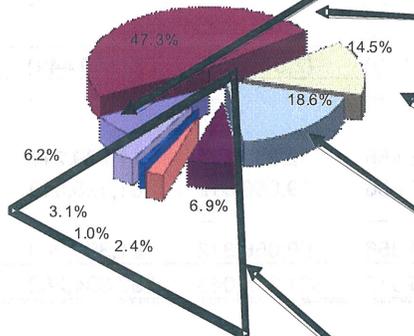
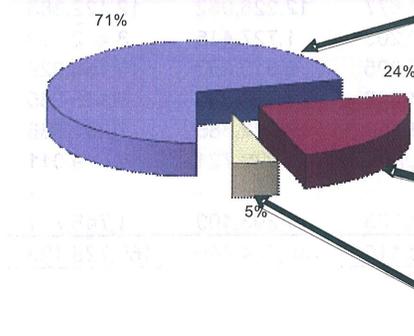
TABLE 2
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2005 (AUDITED)
THROUGH JUNE 30, 2009 (UNAUDITED)

	Audited Fiscal Year 6/30/05	Audited Fiscal Year 6/30/06	Audited Fiscal Year 6/30/07	Audited Fiscal Year 6/30/08	Unaudited Fiscal Year 6/30/09
Revenues:					
Taxes, net	\$96,160,187	\$108,942,753	\$119,464,294	\$126,835,543	\$121,259,672
Licenses and permits	8,010,556	10,536,677	12,226,052	12,122,383	12,261,140
Intergovernmental	1,278,139	1,732,203	1,727,415	3,402,090	3,592,756
Charges for service	12,006,613	8,695,395	9,610,253	10,150,929	7,706,748
Fines, forfeitures and penalties	4,962,465	6,177,549	6,990,860	8,155,085	9,296,387
Use of money and property	5,418,474	5,573,781	7,082,885	7,261,336	5,963,135
Net change in fair value of investments	(270,911)	(264,177)	239,721	49,011	109,949
All street meters	—	—	-	-	-
Miscellaneous	1,051,944	938,935	1,393,400	1,748,751	1,260,424
Total revenues	<u>128,617,467</u>	<u>142,333,116</u>	<u>158,734,880</u>	<u>169,725,128</u>	<u>161,450,210</u>
Expenditures:					
Current:					
General government	16,682,422	6,468,832	11,209,334	6,475,903	6,638,899
Public safety	59,193,264	72,117,504	80,591,213	85,618,196	87,741,012
Public service	14,859,926	13,914,339	15,804,297	18,636,198	20,385,991
Culture and recreation	30,600,522	35,156,962	36,217,748	34,896,163	41,486,667
Capital outlay	—	—	-	-	-
Total expenditures	<u>121,336,134</u>	<u>127,657,637</u>	<u>143,822,592</u>	<u>145,626,460</u>	<u>156,252,569</u>
Excess of revenues over expenditures	<u>7,281,333</u>	<u>14,675,479</u>	<u>14,912,288</u>	<u>24,098,668</u>	<u>5,197,641</u>
Other financing sources (uses):					
Operating transfers in	580,644	261,973	2,186,509	6,000	3,419,085
Operating transfers out	(1,789,912)	(4,644,996)	(4,760,066)	(12,195,449)	(9,348,492)
Contributions from other funds	—	—	-	-	-
Contributions to other funds	—	—	-	-	-
Total other financing sources (uses)	<u>(1,209,268)</u>	<u>(4,383,023)</u>	<u>(2,573,557)</u>	<u>(12,189,449)</u>	<u>(5,929,407)</u>
Special item, pension contribution	(13,391,117)	—	—	—	—
Excess of revenues and other sources over expenditures and other uses	<u>(7,319,052)</u>	<u>10,292,456</u>	<u>12,338,731</u>	<u>11,909,219</u>	<u>(731,766)</u>
Fund balance, as previously reported	63,461,546	58,763,856	69,056,312	81,395,043	93,304,262
Restatement	2,621,362	—	—	—	—
Fund balances, July 1, Restated	<u>66,082,908</u>	<u>58,763,856</u>	<u>69,056,312</u>	<u>81,395,043</u>	<u>93,304,262</u>
Fund balances, June 30	<u>\$58,763,856</u>	<u>\$69,056,312</u>	<u>\$81,395,043</u>	<u>\$93,304,262</u>	<u>\$92,572,496</u>

Source: City of Beverly Hills.

**TABLE 3
GENERAL FUND
BUDGETED REVENUES AND EXPENDITURES
FISCAL YEAR ENDING JUNE 30, 2010**

	REVENUES	PERCENT OF TOTAL
TAXES:		
Property taxes	34,480,000	21.41%
Sales tax	23,427,000	14.55%
Transient occupancy tax	25,375,000	15.76%
Business tax	29,700,000	18.44%
Other taxes	1,300,000	0.81%
TOTAL TAX REVENUES	114,282,000	70.97%
NON-TAX REVENUES:		
Subventions and grants	1,700,000	1.06%
Licenses and permits	12,426,300	7.72%
Fines and penalties	9,210,800	5.72%
Use of money and property	6,761,000	4.20%
Charges for current service	8,616,000	5.35%
TOTAL NON-TAX REVENUES	38,714,100	24.04%
MISCELLANEOUS AND TRANSFERS:		
Miscellaneous revenues	1,971,300	1.22%
Transfers from other funds	6,065,676	3.77%
TOTAL MISC. AND TRANSFERS:	8,036,976	4.99%
TOTAL ALL REVENUES	161,033,076	100.00%
	EXPENDITURES	PERCENT OF TOTAL
OPERATING EXPENDITURES:		
GENERAL GOVERNMENT:		
Administrative Services	760,877	0.47%
Non-Departmental	9,162,979	5.69%
TOTAL GENERAL GOVERNMENT	9,923,856	6.17%
PUBLIC SAFETY:		
Police Department	47,137,742	29.28%
Fire Department	28,927,373	17.97%
TOTAL PUBLIC SAFETY	76,065,115	47.26%
COMMUNITY DEVELOPMENT:		
Community Development	9,756,883	6.06%
Public Works	13,625,865	8.47%
TOTAL COMM. DEVELOPMENT	23,382,748	14.53%
REC & LIBRARY SERVICES		
Community Services	29,996,797	18.64%
TOTAL REC & LIBRARY	29,996,797	18.64%
TOTAL OPERATING EXPENSES	139,368,516	86.58%
CONTRIBUTIONS AND OPERATING TRANSFERS OUT:		
Schools & Non-profits	11,182,925	6.95%
Tourism Promotions	3,840,536	2.39%
Debt Service Payments	1,532,910	0.95%
Transfers Out- Capital	5,040,250	3.13%
TOTAL CONT. & TRANSFERS	21,596,621	13.42%
TOTAL GENERAL FUND	160,965,137	100.00%



Management's Discussion and Analysis

One key change resulting from the adoption of GASB Statement No. 34 (promulgated by the Governmental Accounting Standards Board) is the inclusion of management's discussion and analysis as required supplementary information. See "APPENDIX B" for a full presentation of management's discussion and analysis.

Summary of Tax Revenues

The table below presents a 10-year summary of tax revenues received by the City.

TABLE 4
HISTORY OF TAX REVENUES
FISCAL YEARS 1999-00 THROUGH 2008-09
(Unaudited)

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>General Sales Tax</u>	<u>Business Tax</u>	<u>Transient Occupancy Tax</u>	<u>Other Taxes</u>	<u>Total</u>	<u>Percent Change</u>
1996	14,752,000	13,299,000	18,986,000	11,519,000	1,673,000	60,229,000	N/A
1997	14,434,000	14,919,000	19,895,000	12,458,000	2,421,000	64,127,000	6.47%
1998	15,429,000	15,347,000	19,855,000	13,086,000	1,688,000	65,405,000	1.99%
1999	16,761,000	15,312,000	21,361,000	14,765,000	2,111,000	70,310,000	7.50%
2000	18,213,401	17,963,678	22,888,239	17,419,187	2,380,489	78,864,994	12.17%
2001	19,841,560	19,110,044	23,412,688	17,817,850	1,877,122	82,059,264	4.05%
2002	20,845,212	18,070,898	24,976,171	14,648,226	940,613	81,099,662	-1.17%
2003	22,055,172	18,496,094	26,925,080	14,799,776	1,410,280	85,468,000	5.39%
2004	23,687,873	19,945,850	27,303,220	16,683,673	1,554,120	89,174,736	4.34%
2005	25,883,525	21,560,680	28,188,103	19,263,710	1,424,725	96,320,743	8.01%
2006	28,862,559	24,108,791	31,634,820	22,842,265	1,494,318	108,942,753	13.10%
2007	32,409,814	25,886,148	33,637,997	25,870,676	1,659,659	119,464,294	9.66%
2008	34,601,350	27,378,605	34,371,407	29,101,920	1,382,261	126,835,543	6.17%
2009	37,866,581	23,796,955	34,976,554	24,001,879	597,703	121,239,672	-4.41%

Source: City of Beverly Hills.

There can be no assurance that allocations of tax revenues may not be affected by voter initiatives in the future. See "RISK FACTORS -- Future Initiatives."

Assessed Valuation and Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified as either "secured" or "unsecured." Secured property is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles (the "County") levies a 1% property tax on behalf of all taxing agencies in the County, including the City. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the City and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Assessed valuations in the County are established by the County Assessor, except for utility property which is assessed by the State Board of Equalization. Property is assessed at 100% of actual market value and tax rates are expressed in terms of the ratio of "full cash value" to actual market value. During each County fiscal year, property which is improved, or with respect to which a change in ownership occurs, is subject to reassessment to the then-current market value. Property that is not subject to reassessment is subject to a maximum 2% increase per year. Such increases in assessed value during each County fiscal year are compiled as the County's "supplemental roll," and supplemental taxes are levied on such increases in assessed value during the County's fiscal year.

State law currently exempts \$7,000 of the assessed value of an owner-occupied dwelling, but the City does not suffer any revenue loss because an amount equivalent to the tax on such exempt amount is paid by the State.

State law also exempts the full value of business inventories from taxation, but provides reimbursement to local agencies based on their respective shares of the revenues derived from the application of the maximum tax rate, adjusted to reflect changes in population and the consumer price index. Since the 1984-85 County fiscal year, the reimbursement for the business inventory exemption has been consolidated into the State motor vehicle in-lieu fee revenue, which currently more than restores the revenue lost through the business inventory exemption.

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll becomes tax delinquent on June 30. Such property may thereafter be prepaid by payment of the delinquent taxes plus the delinquency penalty, plus a prepayment penalty of one and one-half percent per month to the time of prepayment. If taxes remain unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

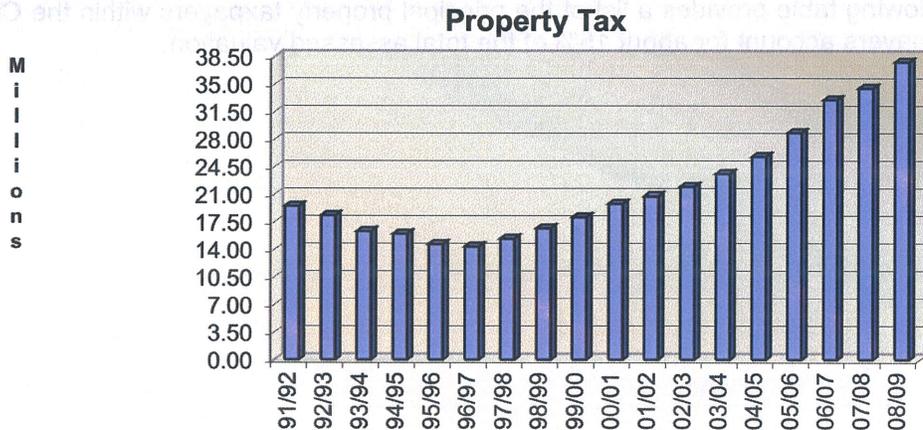
Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests, belonging or assessed to the taxpayer.

Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property located within that county's taxing boundaries. The County has not established a property tax distribution program commonly referred to as the "Teeter Plan." Taxes are distributed to taxing agencies within the County on the basis of actual tax collections rather than on the basis of tax levy.

Property Tax Revenues

The accompanying graph illustrates how property tax revenues respond to economic conditions. In Fiscal Year 1991-92 the State and nation entered into a period of economic downturn similar to our current conditions. But as the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues.

Property Tax continues to show the strength of the City's real estate market, even in poor economic times statewide and nationwide. Fiscal Year 2008-09 property tax revenues were \$37.9 million and \$34.5 million is budgeted for Fiscal Year 2009-10. As in the 1991-92 economic downturn property taxes remained strong in fiscal year 2008-09 even though the country and world economies declined substantially. The City anticipates a similar trend for property taxes during the current economic cycle.



See "BOND OWNERS' RISKS – Property Taxes" for additional information relating to taxation and collection of taxes.

The following table presents information regarding the assessed valuation of property within the City based on the Taxpayer's Guide compiled by the County Auditor-Controller. All assessed valuations include homeowner exemptions.

**TABLE 5
CITY OF BEVERLY HILLS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Fiscal	Real Property Assessed	Personal Property Assessed	Real Property Exemptions	Net Assessed	Estimated Actual	Ratio of Net Assessed Value to Estimated Actual Value
Year	Value	Value	Exemptions	Value	Value	
1996	8,600,679,000	288,777,000	37,884,000	8,851,572,000	8,889,456,000	99.57%
1997	8,392,848,000	315,121,000	37,605,000	8,670,364,000	8,707,969,000	99.57%
1998	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57%
1999	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59%
2000	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64%
2001	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67%
2002	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69%
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71%
2004	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73%
2005	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74%
2006	14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77%
2007	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79%
2008	\$ 17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80%

Source: City of Beverly Hills, based on Taxpayers' Guide compiled by the Los Angeles County Auditor-Controller's Office.

The following table provides a list of the principal property taxpayers within the City. The ten largest taxpayers account for about 15% of the total assessed valuation.

**TABLE 6
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEAR 2008-09**

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>Percent of Total</u>
Project Lotus LLC	\$510,000,000	2.51%
Sloane Two Rodeo LLC	275,011,643	1.35%
Arden Realty Ltd Partnership	241,307,950	1.19%
Sajahtera Inc.	231,547,506	1.14%
Trea Wilshire Rodeo LLC	203,606,280	1.00%
B W Hotel LLC	175,445,226	0.86%
Oasis West Realty LLC	141,017,259	0.69%
Beverly Wilshire Owner LP	135,252,000	0.66%
Maple Plaza LP	110,282,400	0.54%
Hlt Hq Spe LLC	86,500,000	0.43%
Douglas Emmett 2000 LLC	82,994,334	0.41%
Trizec 9665 Wilshire LLC	81,600,000	0.40%
9701 Carolina Gardens LLC A	81,600,000	0.40%
338 342 North Rodeo Drive LLC	81,500,000	0.40%
407 N Maple LP	73,556,289	0.36%
Belvedere Hotel Partnership	70,710,694	0.35%
Casden Sofa LLC	58,191,000	0.29%
Plains Exploration And Product	56,846,117	0.28%
Gilbert Arthur, Dec'd Estate Of	56,475,050	0.28%
Platinum Paradigm Properties LLC	55,374,539	0.27%
Beverly Hills Luxury Hotel LLC	54,823,638	0.27%
Festival Retail Fund BH LP	54,774,000	0.27%
Burton Way Hotel Inc.	52,727,939	0.26%
Geffen, David	52,050,328	0.26%
Wilshire Blvd BH LLC	52,000,000	0.26%
Total Top 25 Taxpayers	\$3,075,194,192	15.11%
Total Taxable Value	\$20,345,883,228	100.00%

Source: Muniservice, LLC, based on Fiscal Year 2008-09 County assessor Data.

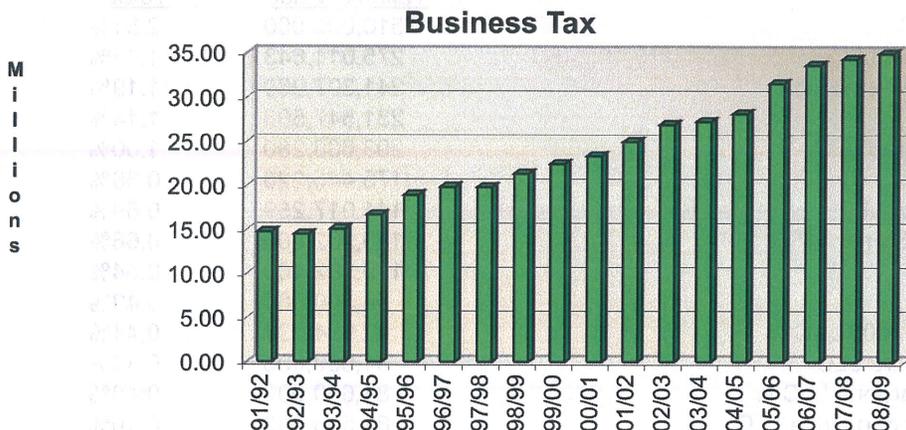
Business Tax Revenues

Business Tax is paid by all local businesses in the City. The type of business operated determines the tax rate. With the exception of corporate offices, professionals and service types of businesses, which pay a tax based on the number of employees, Beverly Hills businesses pay this tax based on their gross receipts, which is a measure of the amount of business they do in the City.

In Fiscal Year 1993-94, the City began to experience an upward swing in the economy as commercial vacancies were reduced and new businesses entered the City. Some portion of the improvement since Fiscal Year 1992-93 reflects a more aggressive tax audit program by the City. Because much of the City's Business Tax is derived from commercial and residential leasing activity it responds much like property taxes to changing economic conditions. Generally it takes a couple of years for landlords and tenants to renegotiate reductions to leases which then last beyond the end of the economic cycle and into the recovery period. As a result

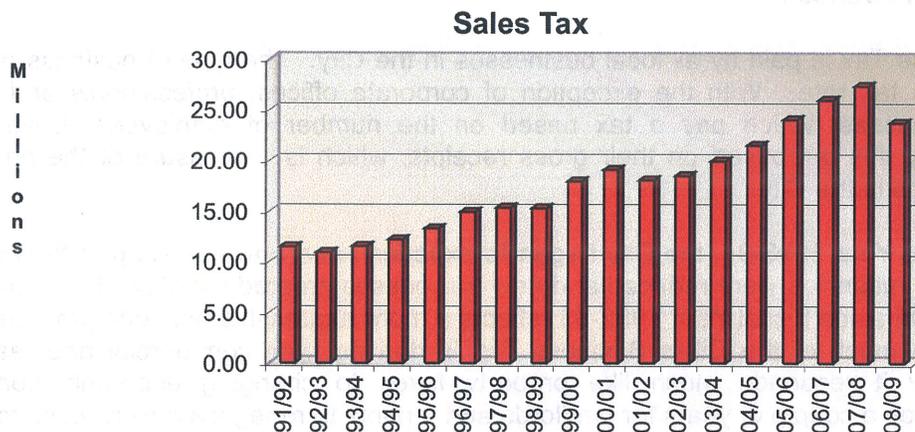
of these factors Business Tax is not a good indicator of the depth or severity of an economic cycle, but rather a follower of the trends created by the cycle.

Business tax revenue is estimated at \$29.7 million for Fiscal Year 2009-10, a 15.1% decrease over the Fiscal Year 2008-09 revenue.



Sales Tax Revenues

Sales Tax responds much faster to economic conditions than Property or Business taxes do. As such they are a good indicator of the severity and depth of an economic downturn. As the accompanying chart illustrates in both the economic downturn of the early nineties and the impacts of the terrorist actions on September 11, 2001, Sales Tax responded almost immediately to the changing economy. From Fiscal Year 1990-91 through Fiscal Year 1992-93 sales tax revenue declined at the rate of about 6.3% in each of the years. In Fiscal Year 1993-94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. However, as a result of the terrorist actions on September 11, 2001, and their impact on local tourism, sales tax revenues fell 5.4% for fiscal year 2001-02. These revenues recovered as the general economy improved and grew at record rates through Fiscal Year 2007-08 where they reached \$27.2 million. As a result of the current economic downturn Sales Tax revenues fell 13.08% to \$23.8 million in Fiscal Year 2008-09 and are budgeted at \$23.3 million for Fiscal Year 2009-10.



The table below shows the largest payers of Sales Tax in the City for Fiscal Year 2008-09.

**TABLE 7
LARGEST SALES TAX PAYERS
(listed alphabetically)
FISCAL YEAR 2008-09**

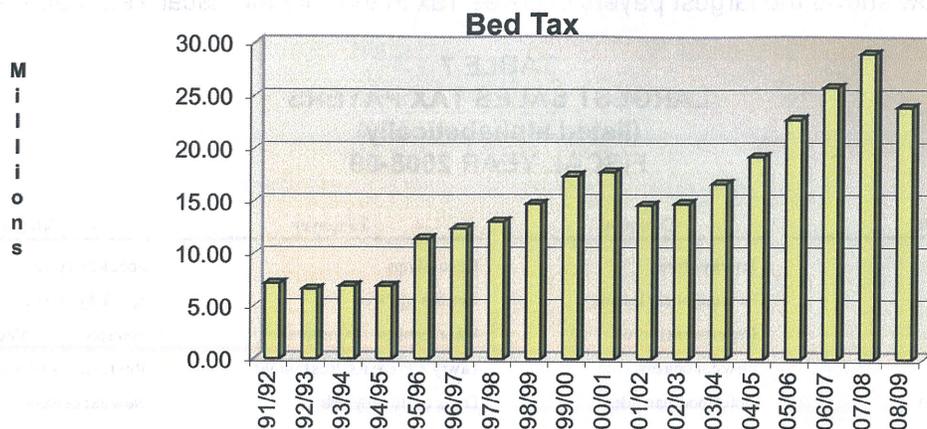
Taxpayer	Category	Taxpayer	Category
14 Karats Ltd.	Jewelry stores	GucciShops	Specialty stores
AudiLeasing	Passenger car leasing	Hermes of Paris	Specialty stores
Barney's of New York	Department stores	Hilton Equipment Corporation	Food processing/equipment
Beverly Hills BMW	New car dealers	Lawry's Prime Rib Restaurant	Restaurants with onsite
The Beverly Hills Hotel	Hotel food/bars sales	Lexus of Beverly Hills	New car dealers
Beverly Hills Mercedes-Benz	New car dealers	Louis Vuitton Stores	Specialty stores
Beverly Hills Porsche	New car dealers	Mastro's Steakhouse	Restaurant with beer
The Beverly Hilton	Hotel food/bars sales	Neiman-Marcus Department Store	Department stores
Cartier, Inc.	Jewelry stores	The Peninsula Beverly Hotels	Hotel food/bars sales
Chanel Boutique	Women's apparel	Polo Ralph Lauren	Family apparel
Chase Manhattan Auto Finance	Passenger car leasing	Prada Mens Wear	Men's apparel
Crate & Barrel	Specialty stores	Rite Aid Drug Stores	Drug stores
Christian Dior Boutique	Specialty stores	Saint John's Boutique	Women's apparel
DCFS Trust	Leasing	Saks Fifth Avenue	Department stores
DG USA	Men's apparel	Salvatore Ferragamo	Shoes
Ferrari of Beverly Hills	New car dealers	Spago Restaurant	Restaurants with onsite
Financial Services Vehicle Trust	Leasing	Tiffany & Company	Jewelry stores
Geary's of Beverly Hills	Home furnishings	Toyota Motor Credit	Leasing
Giorgio Armani Boutique	Family apparel	Williams-Sonoma	Specialty stores

Source: City of Beverly Hills.

Transient Occupancy Tax Revenues

As a business, resort and tourist destination, the City receives a sizable portion of its revenues from Transient Occupancy Tax (hotel bed tax). Like Sales Tax, Transient Occupancy Tax revenues responded almost immediately to the changing economy. Also like Sales Tax, Transient Occupancy Taxes recovered completely from the effects of 9/11 and grew at record rates through Fiscal Year 2007/08 where they reached \$29.1 million. As a result of the current economic downturn Transient Occupancy Tax revenues fell 17.5% to \$24.01 million in Fiscal Year 2008/09 and are budgeted at \$25.4 million for Fiscal Year 2009/10.

In the accompanying Transient Occupancy Tax chart the variations beginning in Fiscal Year 1992-93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in Fiscal Year 1992-93. The Beverly Hills Hotel had its reopening in June of Fiscal Year 1994-95. The L'Ermitage had its grand opening in June, 1998. In Fiscal Year 1991-92, the City raised the transient occupancy tax rate from 11% to 12% to improve revenues and remain consistent with surrounding communities. In February 1994, the City Council, at the urging of the Chamber of Commerce and the City's hotel operators, voted to increase the transient occupancy tax rate from 12% to 14% to fund local advertising/promotion campaigns.



State Budget and its Impact on City Finances

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. The State's 2008-09 and 2009-10 budgets contain a number of measures which impact the finances of local agencies.

Information on Current State Budget Difficulties. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted.

The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated in this Official Statement by reference.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office the ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "**2008-09 Budget**"). The 2008-09 Budget resolved the \$24.3 billion budget deficit identified in the May (2008) revision to the Governor's Proposed Budget. The

2008-09 Budget, as adopted, projected revenues of \$103.027 billion in fiscal year 2007-08 and \$101.991 billion in fiscal year 2008-09 (representing an increase of \$1.837 billion in fiscal year 2007-08 and a decrease of \$996 million in fiscal year 2008-09, compared with the May Revision), provided a modest reserve of \$1.7 billion, but projected a deficit of \$1.0 billion in fiscal year 2009-10.

Special Session - Revisions to 2008-09 Budget; 2009-10 Adopted State Budget.

Through a series of legislative actions that occurred from November 5, 2008 through February 20, 2009, the State legislature and the Governor enacted a budget package addressing the 2008-09 Budget deficit, and adopting a budget for fiscal year 2009-10.

On March 13, 2009, the LAO updated its revenue forecast and projected that revenues would fall short of the assumptions in the 2009-10 Budget by \$8 billion and that number of the adopted solutions—revenue increases and spending reductions—are of a short-term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from \$12.6 billion in 2010–11 to \$26 billion in 2013.

On May 7, 2009, the LAO reported that, as result of the budget and cash pressures of recent months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—currently is projected to end fiscal year 2008-09 at a much lower level than normal. Without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State will not be able to pay many of its bills on time for much of fiscal year 2009-10.

May 14, 2009 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit. The specific proposal to be considered depended, in part, on the result of certain statewide ballot measures decided by the voters on the May 19, 2009 special election ballot.

Because State voters rejected the three propositions on the special election ballot that would have helped balance the State's budget, the Governor estimates a budget shortfall of \$21 billion in 2009-10.

Governor Declares Fiscal Emergency. The Governor announced on July 1 that the budget deficit had grown by \$2 billion to \$26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOUs, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments; Proposition 1A Borrowing. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget involving 30 separate pieces of legislation to close the \$26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009-10 will be more than \$84 billion, down from nearly \$91.7 billion in fiscal year 2008-09 and nearly \$103 billion in fiscal year 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10, including (among many others) \$2 billion borrowed from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), but the State must repay the borrowing with interest within three years.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and some economists believe that they produce a significant budget shortfall next year. Additionally, borrowing revenues from local governments has resulted in litigation.

Impact of Proposition 1A Borrowing. The declaration by the State of California of a fiscal emergency under Proposition 1A and a subsequent take-away of the equivalent of 8% of fiscal year 2008-09 property related tax revenues from cities is expected to have an impact on the City. These tax revenues must be paid back by the State with interest within three years. The City does not believe any amendments to its fiscal year 2009-10 budget are required in response to the Proposition 1A take-away. The City's fiscal year 2009-10 budget assumed the Proposition 1A take-away, and assumed the City would make up the shortfall with reserves. The City is considering participating in the proposed Proposition 1A securitization program, although it can provide no assurances that it will do so. See "– Economic Condition and Outlook" above.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the City's ability to pay Lease Payments.

City Investments

Investment Policy. The City Council annually adopts, by resolution, a statement of investment policy (the "Investment Policy") for the City's funds. The Investment Policy defines the objects and priorities of the investment program, stressing safety and liquidity of funds, as the highest priority. The third priority stated by the Investment Policy is the achievement of the maximum yield possible within the constraints of the primary objectives.

The Investment Policy permits investment in repurchase agreements in an amount not to exceed ten million dollars, and only with primary dealers of the Federal Reserve Bank of New York, for a period not greater than seven days, and for which the market value of the collateral is not less than the greater of 102% of the funds borrowed against the securities taken by the City as collateral and the sum of the funds borrowed against the securities plus accrued interest.

The Investment Policy permits investment in reverse repurchase agreements only in amounts up to ten million dollars, with primary dealers of the Federal Reserve Bank of New York with which the City has a current safekeeping agreement. The City may not use as underlying securities in reverse repurchase agreements any security the City has not fully owned and paid for at least 30 days prior to the reverse repurchase transaction date. A maximum of ten percent of the general portfolio may be reversed at any time, the face value of

the collateral is to equal the proceeds received, and the term of the transaction may not exceed 92 days unless a written agreement is in place guaranteeing the minimum earning spread for the entire period of the sale of the security.

The Investment Policy explicitly recognizes the high degree of risk involved in investment in derivative products, and permits investment in derivatives only upon resolution of the City Council acting on advice of the City Treasurer, only for specific financing purposes, and not in the normal course of managing the portfolio. For each derivative investment the City must provide a written statement of purpose and objective for the derivative, establish written monitoring procedures for the derivative, have sufficient expertise and technical resources to oversee derivative programs, provide sufficiently detailed record keeping systems to allow governing bodies, auditors and examiners to determine if the program is functioning in accordance with established objectives, fully disclose the use of any derivative instruments in all official statements and other disclosure documents, and be aware of any conflicts of interest involving the broker or dealer with whom the City is anticipating dealing.

The City Treasurer is charged with the responsibility of custody and investment of surplus City funds. The City Treasurer is required to submit a monthly investment report to the City Council that provides a summary of the status of the current investment portfolio and material transactions entered into during the month.

Investment Portfolio. A summary description of the City's investment portfolio as of June 30, 2009, is set forth below.

**TABLE 8
INVESTMENT PORTFOLIO
As of June 30, 2009**

<u>Type of Investment</u>	<u>Par Value</u>	<u>Percent of Total</u>	<u>Market Value</u>
Local Agency	\$25,483,873	10.32%	\$25,483,873
Money Market	84,162,205	34.10%	84,162,205
Certificates of Deposit	32,000,000	12.96%	32,000,000
Corporate	34,200,000	13.86%	35,180,295
Federal Farm Credit Bank	10,000,000	4.05%	10,021,875
Federal Home Loan Banks	40,000,000	16.21%	39,813,150
Fannie Mae	15,000,000	6.08%	15,031,250
Freddie Mac	<u>5,975,000</u>	<u>2.42%</u>	<u>5,990,535</u>
Total Portfolio	<u>\$246,821,079</u>	100.00%	\$247,683,184

Source: City of Beverly Hills.

Long-Term General Fund Obligations

As of June 30, 2009, the total principal amount of long-term indebtedness payable from the City's general fund (including the City's obligations under financing leases) was \$202,399,369, as shown in the table below. The City, as a matter of discretion rather than legal obligation, has allocated a portion of such total long-term indebtedness to the Water Enterprise Fund and to the Parking Facilities Enterprise Fund, and is currently paying allocable debt service from such funds.

The following table summarizes the total principal amount of long-term indebtedness payable from the City's general fund.

**TABLE 9
LONG-TERM DEBT AND LEASE OBLIGATIONS
PAYABLE FROM GENERAL FUND
As of June 30, 2009
(unaudited)**

<u>Description of Issue</u>	<u>Principal Outstanding</u> [1]	<u>Final Maturity</u>
Lease Revenue Bonds, 1999 Refunding Series A [2]	\$59,565,000	June 1, 2020
Lease Revenue Bonds, 2001 Refunding Series A [3]	4,365,000	June 1, 2013
Lease Revenue Bonds, 2003 Refunding Series A	47,350,000	June 1, 2015
2007 Lease Revenue Bonds	81,600,000	June 1, 2037
2008 Construction Loan [4]	<u>9,519,369</u>	_____, 2010
Total:	<u>\$202,399,369</u>	

[1] Represents only outstanding principal, and excludes amortization of initial issue premium and deferred amounts on refundings.

[2] The outstanding Lease Revenue Bonds, 1999 Refunding Series A, will be refunded with a portion of the proceeds of the 2009 Bonds. See "FINANCING PLAN."

[3] The outstanding Lease Revenue Bonds, 2001 Refunding Series A, will be refunded with a portion of the proceeds of the 2009 Bonds. See "FINANCING PLAN."

[4] Represents the amount drawn on a construction loan the City entered into with City National Bank in order to finance the construction of an office building at 331 Foothill Road. The maximum authorized amount of the construction loan is \$32,000,000. The City intends to refinance this construction loan with a subsequent long-term loan financing with City National Bank in the amount of \$32,000,000. See Table 1, footnote 1, above.

Source: City of Beverly Hills.

Direct and Overlapping Bonded Debt

The following table presents a statement of the City's outstanding direct and overlapping debt as of June 30, 2009.

**TABLE 10
CITY OF BEVERLY HILLS
DIRECT AND OVERLAPPING BONDED DEBT**

2008-09 Assessed Valuation: \$20,381,502,028

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/09	% Applicable (1)	City's Share of Debt 6/30/09
Los Angeles County Flood Control District	\$ 84,705,000	2.207%	\$ 1,869,439
Metropolitan Water District	293,425,000	1.105	3,242,346
Los Angeles Community College District	2,408,605,000	3.885	93,574,304
Beverly Hills Unified School District	198,769,540	99.779	198,330,259
Los Angeles Unified School District	8,046,220,000	0.021	1,689,706
City of Beverly Hills Community Facilities District No. 2002-A	15,060,000	100.000	15,060,000
Los Angeles County Regional Park and Open Space Assessment District	246,875,000	2.183	5,389,281
Mountains Recreation and Conservation Authority Assessment District, I.A. No. 1	12,985,000	0.0008	<u>104</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$319,155,439
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$928,941,195	2.183%	\$ 20,278,786
Los Angeles County Pension Obligations	235,690,861	2.183	5,145,131
Los Angeles County Superintendent of Schools Certificates of Participation	15,904,264	2.183	347,190
County Sanitation District No. 4 Authority	3,522,414	2.601	91,618
Los Angeles Unified School District Certificates of Participation	484,576,710	0.021	101,761
City of Beverly Hills General Fund Obligations	192,880,000	100.000	<u>192,880,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$218,844,486
Less: Los Angeles Unified School District Certificates of Participation (self-supporting)			8,494
City of Beverly Hills self-supporting obligations			<u>40,229,944</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$178,606,048
 GROSS COMBINED TOTAL DEBT			\$537,999,925 (2)
NET COMBINED TOTAL DEBT			\$497,761,487

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Gross Combined Direct Debt (\$192,880,000)	0.95%
Net Combined Direct Debt (\$152,650,056)	0.75%
Total and Overlapping Tax and Assessment Debt	1.57%
Gross Combined Total Debt.....	2.64%
Net Combined Total Debt.....	2.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$60

Source: California Municipal Statistics, Inc.

Employees and Labor Relations

A historical summary of City employment levels is set forth below.

**TABLE 11
EMPLOYMENT LEVELS
FISCAL YEARS 2004-05 THROUGH 2009-10**

<u>Fiscal Year</u>	<u>Permanent Full Time</u>	<u>Seasonal and Part Time</u>
2004-05	678	448
2005-06	666	382
2006-07	616	224
2007-08	691	252
2008-09	772	396
2009-10	728	402

Source: City of Beverly Hills.

The City, pursuant to Government Code Section 3500, provides for a “meet and confer” process with City employees, individually or collectively, to negotiate wages, hours and working conditions. Matters involving merits, necessity or organization of any service or activity provided for by law are excluded from this process. Executive and confidential employees are not represented by a formal bargaining unit.

Of the 728 permanent employees, 696 are represented by one of the following seven bargaining units: the Beverly Hills Management & Professional Employees Association, the Beverly Hills Municipal Employees Association, the Beverly Hills Police Officers Association, the Beverly Hills Police Management Unit, the Beverly Hills Firemen's Association and the Beverly Hills Safety Support Personnel Association. 105 of the part-time employees are represented by the Beverly Hills Municipal Employees Association – Part Time Unit.

The bargaining units described above all have Memoranda of Understanding (MOU) in effect with the following expiration dates:

Bargaining Group	Expiration Date
Management & Professional Employees Association	September 30, 2013
Municipal Employees Association	September 30, 2013
Municipal Employees Association – Part Time Unit	December 31, 2011
Beverly Hills Firemen's Association	October 3, 2013
Safety Support Association	September 30, 2013
Police Officers' Association	September 30, 2012
Police Management Association	September 30, 2012

The City has completed negotiations with all bargaining groups for new 5 year agreements. With the exception of the Municipal Employees Association and Municipal Employees Association – Part Time Unit all bargaining groups have ratified the new agreements with the City. The Municipal Employees Association has scheduled a meeting in late October to vote on the current proposal. A group of supervisory level employees within the Municipal

Employees Association has voted to start a new bargaining unit. This group is in the process of requesting recognition by the City and as of this date has not been certified.

Generally, all terms and conditions of labor agreements continue in full force and effect until further modified through the negotiation process.

The City has never experienced a work stoppage by its employees.

Insurance

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in the self-insurance internal service funds which are accounted for as a proprietary fund type. Self-insurance fund revenues are primarily premium charges to other City operating funds and are planned to match estimated payments resulting from self-insurance programs, operating expenses and reinsurance premiums. The self-insurance fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where liability is probable. Additionally, an estimate has been accrued for claims incurred but not reported.

The City is self-insured for all workers' compensation claims and up to \$1,000,000 for all liability claims. Liability claims in excess of \$1,000,000 up to \$35 million are also covered by an excess liability insurance policy.

Employee Retirement Systems and Deferred Compensation Plans

Defined Benefit Pension Plan

Retirement Plan Description. The City's defined benefit pension plan, Beverly Hills Public Employees' Retirement Plan (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

All full-time employees of the City are eligible to participate in the Plan. Part-time employees appointed to a term of one year or longer and who work at least 1,000 hours per year are also eligible to participate. Other part-time non-benefited hourly employees do not participate in the Plan. (Effective January 1, 1992, such part-time employees participate in Social Security.) Related benefits vest after five years of service. Upon five years of service, employees who retire at or after age 50 are entitled to receive an annual retirement benefit.

The benefit is payable monthly for life, in the amount of 3% at age 50 and over for safety employees, and in an amount that varies from 2.000% at age 50 to a maximum of 2.500% at

age 55 and over for non-safety employees, of the employees' single highest year's salary for each year of credited service. The maximum benefit for safety employees is 90% of their final salary; there is no maximum for miscellaneous employees. The Plan also provides death and disability benefits.

Funding Policy. Active full-time plan members in the Plan are required to contribute 8%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions for all safety employees and for members of the executive, executive management and confidential bargaining units on their behalf and for their account. For the remaining full-time bargaining groups the City contributes 7% of their annual covered salary on their behalf and for their account.

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2009 was 23.169% for safety members and 9.989% for miscellaneous employees. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost. For the year ended June 30, 2008, the City's annual pension cost and actual contributions were \$5,001,175 for the safety employees and \$3,104,225 for miscellaneous employees. The City also contributed \$2,163,528 on behalf of the safety employees and \$2,631,084 on behalf of miscellaneous employees. Miscellaneous full and part-time employees directly contributed \$352,580. Total contributions were \$13,252,392.

The required contribution for the year ended June 30, 2008 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included:

- (a) 7.75% investment rate of return (net of administrative expenses);
- (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and
- (c) 3.25% cost-of-living adjustment.

Both (a) and (b) include an inflation component of 3.00%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over an open 13-year period, which results in an amortization of 10% of unamortized gains and losses each year.

If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2005 (for 2007-08

employer rates), the average remaining amortization periods were 12 and 32 years for miscellaneous and safety members, respectively.

Three-Year Trend Information for the Plan

Fiscal Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Overpayment)
2008	\$ 9,277,007	87%	(15,425,909)
2007	8,922,562	71	(12,588,132)
2006	7,859,894	140	(17,645,415)

On June 29, 2005 and on July 15, 2005, the City made contribution payments in the amount of \$17.6 million in addition to the annual required contribution which is reflected as a net pension asset in the Government-wide Statement of Net Assets and in the proprietary fund statements. The Net Pension Asset will be amortized over 20 years in accordance with the requirements of the Governmental Accounting Standards Board Statement Number 27, Accounting for Pensions by State and Local Governmental Employers.

As of June 30, 2007 (the most recent year for which data is available), the actuarial accrued liability and the total unfunded actuarial liability for the Plan were as follows:

	Actuarial Accrued Liability	Unfunded Actuarial Liability
Safety Members	\$268,616,838	\$35,241,574
Miscellaneous Members	\$186,538,708	\$6,393,645

Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator, the International City Managers' Association (ICMA) qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the City's basic financial statements.

The City also offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). All amounts deferred and invested under this plan, with related interest, are the property and rights of the participating employees and, as such, are not reflected in the City's audited financial statements.

Related Party Transactions

In November 1984, the Parking Authority paid the City \$6,500,000 in consideration for certain land to be used as the site for the construction of a new parking structure. Upon completion in August 1986, the City leased the parking facility from the Parking Authority. The sale of the land has been accounted for as a sale/leaseback transaction, and the related gain of \$1,890,055 is being amortized into income in the Parking Enterprise Fund over the 55-year life of the lease.

The City and its City Manager entered into an employment contract that provided a home loan of up to \$1.5 million dollars for the purchase of a primary residence within the City limits. The loan provided funding to purchase the home and upgrades and remodeling up to the total authorized loan amount of \$1.5 million. The loan period is 40 years with an interest rate of 2.5% per annum. As a result of the City Manager's decision to retire, on May 26, 2009, the City acquired the home from the City Manager at a purchase price of \$1,627,000. The loan balance of \$1,386,774.53 was paid in full and the debt was retired. At June 30, 2009, the outstanding principal balance of the loan was \$0.00. See APPENDIX B.

During Fiscal Year 2006-07, the City initiated the Housing Assistance Loan Program which provides housing assistance for other executive employees to help them cope with the high cost of housing and to achieve additional objectives. On June 15, 2007, the Director of Administrative Services/Chief Financial Officer entered into the Housing Assistance Loan Program and was provided a home loan for \$792,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2009 the outstanding principal balance of the loan was \$768,068. On October 9, 2007 the Chief Information Officer entered into the Housing Assistance Loan Program and was provided a home loan for \$953,826. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2009 the outstanding principal balance of the loan was \$953,826. On July 10, 2008 the Assistant Director of Community Services – Library entered into the Housing Assistance Loan Program and was provided a home loan for \$1,100,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2009, the outstanding principal balance of the loan was \$1,087,964. On May 14, 2009, the Assistant Director of Community Development – City Planner entered into the Housing Assistance Loan Program and was provided a home loan for \$750,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2009, the outstanding principal balance of the loan was \$749,625. On May 14, 2009, the Assistant Director of Community Services – Recreation and Parks entered into the Housing Assistance Loan Program and was provided a home loan for \$1,100,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2009, the outstanding principal balance of the loan was \$1,100,000. See APPENDIX B.

Post Employment Health Care Benefits

In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with employees' respective compensation plans. The other post employment benefit (OPEB) provisions of the compensation plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action.

The City is currently enrolled in various health care plans administered by the California Public Employees Retirement System (PERS). The City pays retirees' PERS health care premiums to the following limits as stipulated in the compensation plans:

- *Technical Service employees:*

- For service retirees after the following dates through age 65, or the date the retiree becomes eligible for Medicare, the following health benefits are provided:

After July 1, 1985	Single-party rate
After July 1, 1986	\$200/month
After December 1, 1987	\$245/month
After December 1, 1988	\$270/month

- For service retirees after February 1, 1990 through age 70, or the date the retiree becomes eligible for Medicare, \$300 per month in health benefits is provided.
- For service retirees after July 1, 2000 through age 70, or the date the retiree becomes eligible for Medicare, the City provides up to \$300 per month in health benefits. The benefit is extended up to \$150 per month after age 70 if the employee retired on or after age 60 with 20 or more years of service and up to \$75 with 15 to 20 years of service.

- *Police Association employees:*

- For employees retiring (service retirement only) after July 1, 1989 through age 70, the City pays up to the two-party rate of the Peace Officers Research Association of California (PORAC) Plan under PERS.
- For retirees who retired between July 1, 1978 and July 1, 1989, the City pays \$211/month, through age 65.
- Retired sworn police personnel who received a disability retirement on or after July 1, 1987 are eligible for the PERS health plan if the employee had 20 years of service with the Beverly Hills Police Department or is over 45 years of age at the time of his or her retirement.

- *Police Management Association employees:*

- For employees who retired after July 1, 1989, the City pays up to the two-party rate of the PORAC Plan under PERS (with spouse continuance).
- For employees who retired before July 1, 1979, the City pays \$16/month.

- *Firemen's Association employees:*

- For management employees retired after July 1, 1980 with 15 years active City service, the City pays up to the two-party rate of the PERSCare Plan, through age 65.
- For non-management employees (service retirement only) retired after July 1, 1980, the City pays up to the two-party rate of the PERSCare Plan, up to age 65.

- Retired sworn fire employees who received a disability retirement on or after July 1, 1981 are eligible for PERS health care coverage if the employee would have received a service retirement of 50% or greater.
- *Safety Support Association employees:*
 - For employees service-retired on or after July 1, 1984, the City pays up to the single-party coverage.
 - For service retirees after July 1, 2001, the City provides health benefits up to \$150 per month if the employee retired after age 60 with 20 or more years of service and up to \$75 per month with 15 to 20 years of service.
- *Executive employees and Management and Professional employees:*
 - For employees service-retired after July 1, 1981, with the exception of those employees hired after December 2, 1997, the City pays up to the two-party rate of the PERSCare Plan (with spouse continuance).
 - For employees hired or promoted into their service group on or after July 1, 1997 and who complete a minimum of 5 years of full-time employment with the City, receive a service retirement and do not perform any paid work for a PERS contracting agency following retirement, the City pays up to the single-party coverage of the PERSCare Plan at 25% for employees who have completed at least 5 years of service with the City, incremented by 5% for each year of service completed up to 20 years.
- *Confidential employees:*
 - For employees service-retired after July 1, 1981, the City pays up to the one-party rate of the PERSCare Plan.

The above postretirement health benefits are financed on a pay-as-you-go basis and there is no required or maximum contribution rate for the City or for plan members. The City Council will set or amend contribution requirements to fund the OPEB liability as needed. The City's annual OPEB cost (ARC) for Fiscal Year 2007-08 is \$3,799,000. The amount of OPEB contributions made during the Fiscal Year were \$1,372,482. At the beginning of Fiscal Year 2007-08 there was no Net OPEB Obligation. Since Fiscal Year 2007-08 was the first year of implementation of the GASB 45 accounting standard the increase of and ending net OPEB obligation at June 30, 2008 is \$2,426,518.

As of June 30, 2008, the City has contributed \$1,372,482 towards the Net OPEB Obligation and additionally has designated a total amount of \$9,471,141. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB Statement No. 45, the funded ratio of actuarial liability is 2.7%. However, including the funds set aside in the Employee Benefits Fund, the funded ratio is 17.5%. The percentage of annual OPEB cost contribution during fiscal year 2007-08 is 36.1%.

The actuarial accrued OPEB liability as of June 30, 2008 was \$50,412,000. The total unfunded actuarial liability was \$49,039,518.

The City currently provides these benefits to an average of 265 participants at a cost of \$1,302,789 for the year ended June 30, 2008. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who choose to maintain coverage, the City contributed \$97.8 per month from July 1, 2008 through June 30, 2008. The City currently provides this benefit to 80 participants at a cost of \$95,448 for the year ended June 30, 2008.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Litigation Regarding 2% Limitation. In a Minute Order issued on November 2, 2001, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, Case No. 00CC03385, the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties use a similar methodology in raising the taxable values of property beyond 2% in a single year. On December 27, 2001, the Orange County Superior Court issued an order declaring the practice of "recapturing" to be unconstitutional. That order only applied to one property in Seal Beach. The court entered a Final Judgment on April 18, 2003.

In 2002 two local courts (Los Angeles and San Diego) ruled differently on the "recapture" issue. Orange County, the Orange County Tax Collector and the Orange County Assessor appealed the Superior Court ruling to the Court of Appeal of the State of California, Fourth Appellate District. The Appellate Court held a hearing on the matter on January 7, 2004, and issued its ruling on March 26, 2004, reversing the trial court. The Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment, and ruled that that the 2% annual inflation adjustment provision permits a maximum 2% annual increase calculated against the original acquisition cost base, rather than calculated against any reduced base resulting from any intervening downward reassessment in the wake of a decline in property values, such as what might happen with a general deflation or a disaster. On May 6, 2004, the case was appealed to the California Supreme Court (as Case No. S124682), which denied review on July 21, 2004, thereby

affirming the Court of Appeal's decision, which currently represents the applicable law that is binding on county assessors statewide.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities each have an annual "appropriations limit" which limits the ability to spend certain monies which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions, together called "proceeds of taxes," and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of monies which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two thirds of the voters. The "appropriations limit" is adjusted annually for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and in the case of certain declared emergencies. If an entity receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the entity's governing board, increase its appropriations limit to equal that amount (provided that the State has excess appropriations limit of its own in that fiscal year).

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Base Rental Payments.

Proposition 218 (Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment) added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in Santa Clara County Local Transportation Authority v. Guardino, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

Future Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting the City or its revenues or the ability of the City to expend revenues.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2009 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2009 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2009 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2009 Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Base Rental Payments and Additional Rental does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments and Additional Rental does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION - Long-Term General Fund Obligations."

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIC and Article XIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIC and Article XIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIC and Article XIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIC and Article XIID of the State Constitution would adversely affect its ability to pay Base Rental Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIC and Article XIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of

Owners of the 2009 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Property Lease (including payment of costs of repair and maintenance of the Site and Facilities, taxes and other governmental charges levied against the Site and Facilities) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Base Rental Payments and Additional Rental, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Property Lease happens and continues, the Authority is authorized under the terms of the Property Lease to exercise any and all remedies available under law or granted under the Property Lease. See "APPENDIX A – Summary Of Principal Legal Documents" for a detailed description of available remedies in the case of a default under the Property Lease.

In the event of a default, there is no remedy of acceleration of the total Base Rental Payments due over the term of the Property Lease. The Trustee is not empowered to sell the Site and Facilities and use the proceeds of such sale to prepay the 2009 Bonds or pay debt service on the 2009 Bonds.

The City will be liable only for Base Rental Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Site and Facilities, the City's obligation to make Base Rental Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2009 Bonds as and when due. See "SECURITY FOR THE 2009 BONDS – Abatement" and "APPENDIX A – Summary Of Principal Legal Documents."

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Base Rental

Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the 2009 Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation four times: 1993-94 (1%); 1995-96 (1.19%); 1996-97 (1.11%); and 1999-00 (1.853%).

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

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

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

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Property Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the 2009 Bonds upon the occurrence of an event of default under the Property Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Property Lease and the Indenture, the rights and obligations under the 2009 Bonds, the Property Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2009 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2009 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2009 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Property Lease and the Indenture. Should such an event of taxability occur, the 2009 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2009 Bonds or, if a secondary market exists, that any 2009 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Existing and Future Parity Obligations

As described in "SECURITY FOR THE 2009 BONDS – Additional Bonds" above, the Indenture permits the Authority to issue Additional Bonds, its obligations under which would be payable from Revenues on a parity with the payment of debt service on the 2009 Bonds.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2009 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the 2009 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2009 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2009 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2009 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2009 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2009 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2009 Bond. The Code contains certain provisions relating to the accrual of original issue discount in

the case of purchasers of the 2009 Bonds who purchase the 2009 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2009 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2009 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2009 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2009 Bond (said term being the shorter of the 2009 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2009 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2009 Bond is amortized each year over the term to maturity of the 2009 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized 2009 Bond premium is not deductible for federal income tax purposes. Owners of Premium 2009 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2009 Bonds.

In the further opinion of Bond Counsel, interest on the 2009 Bonds is exempt from California personal income taxes.

Owners of the 2009 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2009 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2009 Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2009 Bonds, the form of which opinion is set forth in Appendix E. Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Property Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Property Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Property Lease.

RATINGS

Moody's Investors Service has assigned an underlying municipal bond rating of "___" to the 2009 Bonds.

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., has assigned an underlying municipal bond rating of "___" to the 2009 Bonds.

Fitch Ratings has assigned an underlying municipal bond rating of "___" to the 2009 Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. The City has not undertaken any responsibility either to bring to the attention of the owners of the 2009 Bonds any proposed change in or withdrawal of a rating, or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of any rating on the 2009 Bonds may have an adverse effect on the market price or marketability of the 2009 Bonds.

CONTINUING DISCLOSURE

The Authority will covenant for the benefit of owners of the 2009 Bonds to provide certain financial information and operating data relating to the City by not later than February 15 of each year, commencing February 15, 2010, with the report for the 2008-09 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Authority and the City have had no instances in the previous five years in which either has failed to comply in all material respects with any previous continuing disclosure obligations under the Rule.

UNDERWRITING

E. J. De La Rosa & Co., Inc. (the "Underwriter"), has entered into a Bond Purchase Contract with the Authority under which it will purchase the 2009 Bonds at a price of \$_____ (equal to the par amount of the 2009 Bonds, less an Underwriter's discount of \$_____, and less a net original issue discount of \$_____).

The Underwriter will be obligated to take and pay for all of the 2009 Bonds if any are taken. The Underwriter intends to offer the 2009 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2009 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2009 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; Public Resources Advisory Group, as financial advisor to the City; Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, as Underwriter's counsel; and U.S. Bank National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

CITY OF BEVERLY HILLS PUBLIC FINANCING
AUTHORITY

By : _____
Scott G. Miller, PhD,
Chief Financial Officer

CITY OF BEVERLY HILLS

By : _____
Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING JUNE 30, 2008**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Beverly Hills (the "City") in connection with the issuance by the City of Beverly Hills Public Financing Authority (the "Authority") of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture dated as of November 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

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

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

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

"*Annual Report Date*" means February 15 of each year.

"*Dissemination Agent*" means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means E.J. De La Rosa & Co., Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing February 15, 2010, with the report for the 2008-09 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) A statement of any investment losses incurred by the City’s General Fund in excess of \$5,000,000 in any Fiscal Year.

(c) Unless otherwise provided in the audited financial statements filed on or prior to the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, in the form of updates to the following tables contained in the Official Statement:

- (i) TABLE 1, General Fund Balance Sheet
- (ii) TABLE 2, General Fund Revenues, Expenditures and Fund Balances
- (iii) TABLE 3, General Fund Budgeted Revenues and Expenditures
- (iv) TABLE 4, Assessed and Estimated Actual Value of Taxable Property
- (v) TABLE 5, Ten Largest Secured Property Taxpayers
- (vi) CITY FINANCIAL INFORMATION – Business Tax Revenues
- (vii) CITY FINANCIAL INFORMATION – Sales Tax Revenues
- (viii) TABLE 6, Largest Sales Tax Payers
- (ix) CITY FINANCIAL INFORMATION – Transient Occupancy Tax Revenues
- (x) TABLE 9, Long-Term Debt and Lease Obligations Payable from General Fund
- (xi) TABLE 11, Employment Levels

(d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

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

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

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be U.S. Bank National Association.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

(d) The Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Trustee, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the City as constituting the Annual Report required of the City in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the City in a timely manner in a form suitable for filing with the Repositories. In accepting the appointment under this Disclosure Certificate, the Dissemination Agent is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Bonds, the City, the Participating Underwriters or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under the Bonds and this Agreement in accordance with its written fee schedule provided to the City, as such fee schedule may be amended from time to time in writing. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	City of Beverly Hills 455 North Rexford Drive, Room 250 Beverly Hills, CA 90210-4817 Fax: (310) 285-2441
To the Dissemination Agent and Trustee	U.S. Bank National Association 633 West 5th Street, 24th Floor Los Angeles, CA 90017 Attention: Corporate Trust Department Fax: (213) 615-6199

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2009

CITY OF BEVERLY HILLS

By: _____

Scott G. Miller, PhD,
Director of Administrative Services
and Chief Financial Officer

AGREED AND ACCEPTED:
U.S. Bank National Association
as Dissemination Agent

By: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Beverly Hills Public Financing Authority

Name of Bond Issue: City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project)

Date of Issuance: _____, 2009

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture dated as of November 1, 2009 between the Authority and U.S. Bank National Association. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

ISSUER:

City of Beverly Hills Public Financing
Authority

By: _____
Its: _____

cc: Dissemination Agent

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF BEVERLY HILLS AND LOS ANGELES COUNTY

The following information concerning the City and the County of Los Angeles is included only for the purpose of supplying general information regarding the area of the City. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on these Internet sites is not incorporated herein by reference.*

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

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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