AGENDA REPORT

Meeting Date: March 6, 2012

Item Number: D-3

To: Honorable Mayor & City Council

From: Scott G. Miller, Chief Financial Officer / Director, Administrative Services

Mark A. Brower, Senior Budget & Financial Analyst

Subject:

A. **RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH THE REFINANCING OF CERTAIN LEASE OBLIGATIONS, AND THE FUNDING OF AN EMPLOYEE ALTERNATIVE RETIREE MEDICAL PROGRAM (ARMP) ($95,000,000 MAXIMUM AMOUNT)**

B. **RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH REFINANCING CERTAIN IMPROVEMENTS TO THE CITY'S WATER SYSTEM ($48,000,000 MAXIMUM AMOUNT)**

Attachments:

1. **Resolutions**
2. **Bond Documents**
3. **Estimated Debt Service Schedule**

RECOMMENDATION

2012 WATER REVENUE REFUNDING BONDS, SECOND SERIES A

Staff recommends the City Council of the City of Beverly Hills approve, authorize and execute certain bond (financing) documents and direct related actions in connection with the issuance of the 2012 Water Revenue Refunding Bonds, Second Series A, the proceeds of which will be used to refinance bonds issued to fund improvements to the City's water system. The principal amount of the 2012 Water Revenue Refunding Bonds will not exceed $48,000,000.

2012 LEASE REVENUE REFUNDING BONDS, SERIES A

Staff also recommends the City Council of the City of Beverly Hills approve, authorize and execute certain bond (financing) documents and direct related actions in connection with the issuance of the 2012 Lease Revenue Refunding Bonds, Series A, the proceeds of which will be used to refinance a portion of the outstanding 2007 Lease Revenue Bonds. The principal amount of the 2012 Lease Revenue Refunding Bonds, Series A will not exceed $64,500,000.

2012 LEASE REVENUE BONDS, TAXABLE SERIES B (ALTERNATIVE RETIREE MEDICAL PROGRAM)

Staff also recommends the City Council of the City of Beverly Hills approve, authorize and execute certain bond (financing) documents and direct related actions in connection with the issuance of the 2012 Lease Revenue Bonds, Taxable Series B, the proceeds of which will be used to fund an employee alternative retiree medical program (ARMP). Total bonds issued in relation to the ARMP are not-to-exceed $30,500,000.

In summary, total Water Revenue Bonds and Lease Revenue Bonds issued to refinance outstanding bonds and to fund the ARMP are not-to-exceed $143,000,000.

INTRODUCTION

REFINANCING EXISTING BONDS

As part of the City's ongoing effort to control costs, staff explored the benefits of refinancing eligible City bonds.

2012 WATER REVENUE REFUNDING BONDS, SECOND SERIES A

Currently, the City has the opportunity to capture significant savings by refinancing an estimated $48,000,000 of outstanding 2007 Water Revenue Bonds and a portion of the outstanding 2007 Lease Revenue Bonds.

The City is recommending refinancing the 2007 Water Revenue Bonds and a portion of the 2007 Lease Revenue Bonds to take advantage of the historically low bond rates which the market is currently experiencing by using City's exceptional credit rating. The City is projected to save $99,000 on average per year with a projected total present net value savings of $1.9 million.

Water Revenue Bonds are payable solely from revenues of the Water Enterprise. Further, the interest revenue to bondholders is tax-exempt.

2012 LEASE REVENUE REFUNDING BONDS, SERIES A

Currently, the City has the opportunity to capture significant savings by refinancing an estimated $64,500,000 of 2007 Lease Revenue Bonds. The 2007 Lease Revenue Bonds were issued to fund the Public Works Parking Garage, and to refund bonds for the Civic Center remodel, Civic Center improvements, and Civic Center Parking Garage.

Refinancing the 2007 Lease Revenue Bonds is projected to save $730,000 per year with a projected present net value savings of $7.4 million. Actual savings is dependent on the interest rates at the time of refinancing.

The 2012 Lease Revenue Refunding Bonds, Series A are payable from the General Fund. The interest revenue to bondholders is tax-exempt.

The total of the 2012 Water Revenue Bonds and the 2012 Lease Revenue Bonds proposed for refinancing is not-to-exceed $112,500,000.

PROPOSED NEW BONDS

2012 LEASE REVENUE BONDS, TAXABLE SERIES B (ALTERNATIVE RETIREE MEDICAL PROGRAM)

In order to further reduce the City's unfunded Other Post Employment Benefit (OPEB) liabilities, staff proposes issuing up to $30,500,000 of taxable Lease Revenue Bonds to pay for an Alternative Retiree Medical Program (ARMP) for eligible employees.

If approved by the City Council, a second offering of the ARMP will be made to eligible non-safety employees who did not elect to participate in the original program. The ARMP is also being explored for eligible safety employees. The $30.5 million equals the maximum cost associated with 100% participation of both eligible safety and non-safety employees. It's projected that if 100% participation is achieved, then the City will save $71 million from its future OPEB Liability.

In the event that not all of the $30.5 in taxable bond proceeds is used for the ARMP due to lower than expected interest, the money will be deposited in the OPEB fund used for payment of retiree medical benefit expenses.

DISCUSSION

2012 WATER REVENUE REFUNDING BONDS, SECOND SERIES A

The issuance of refunding bonds in connection with the water system consists of refinancing of the 2007 Water Revenue Bonds, as well as refinancing of a portion of the 2007 Lease Revenue Bonds. In order to proceed with the refinancing, certain actions of the City Council are required.

Adoption of the proposed resolutions by the City Council of the City of Beverly Hills will authorize and approve the following documents:

- Installment Sale Agreement
- Continuing Disclosure Certificate
- A Preliminary Official Statement
- A Final Official Statement
- Bond Purchase Agreement
- Irrevocable Refunding Instructions

The principal amount of the 2012 Water Revenue Refunding Bonds will not exceed $48,000,000.

2012 LEASE REVENUE REFUNDING BONDS, SERIES A

The issuance of the 2012 Lease Revenue Refunding Bonds, Series A consists of refinancing a portion of the 2007 Lease Revenue Bonds.

2012 LEASE REVENUE BONDS, TAXABLE SERIES B (ALTERNATIVE RETIREE MEDICAL PROGRAM)

The issuance of the 2012 Lease Revenue Bonds, Taxable Series B to fund Phase 2 of the ARMP will be conducted simultaneously with the issuance of the 2012 Lease Revenue Refunding Bonds, Series A, which will refund portions of the 2007 Lease Revenue Bonds. In order to proceed with the financing, certain actions of the City Council of the City of Beverly Hills are required.

Adoption of the proposed resolutions by the City Council of the City of Beverly Hills will authorize and approve the following documents in connection with the 2012 Lease Revenue Refunding Bonds, Series A, and the 2012 Lease Revenue Bonds, Taxable Series B (ARMP):

- Site Lease
- Property Lease
- A Preliminary Official Statement
- A Final Official Statement
- Continuing Disclosure Certificate
- Bond Purchase Agreement
- Irrevocable refunding Instructions

Total bonds refinanced in relation to the lease obligations are not-to-exceed $64,500,000.

Total bonds issued in relation to the ARMP are not-to-exceed $30,500,000.

FISCAL IMPACT

2012 WATER REVENUE REFUNDING BONDS, SECOND SERIES A

The City is recommending the authorization of up to $48,000,000 of 2012 Water Revenue Refunding Bonds, Series A. The proposed refinancing of the 2007 Water Revenue Bonds is projected to save the City $99,000 per year with a projected total net present value of $1.9 million.

2012 LEASE REVENUE REFUNDING BONDS, SERIES A

The City is recommending the authorization of up to $64,500,000 of 2012 Lease Revenue Refunding Bonds, Series A. This proposed refinancing of the 2007 Lease Revenue Bonds is projected to save the City $730,000 per year with a projected total net present value of $7.4 million.

In total, the City is projected to save $829,000 per year with a total net present value savings of $9.3 million.

2012 LEASE REVENUE BONDS, TAXABLE SERIES B (ALTERNATIVE RETIREE MEDICAL PROGRAM)

The City is recommending the authorization of up to $30,500,000 of 2012 Lease Revenue Bonds, Taxable Series B. The issuance of $30.5 million in bonds to fund the employee alternative retiree medical program (ARMP) is projected to cost the City $2.5 million per year for 15 years.

Taxable Bond proceeds in excess of the final costs associated with ARMP will be deposited into the City's other post employment benefit (OPEB) fund.

In summary, total bonds issued and bonds refinanced in relation to the water system, lease obligations, and ARMP are not-to-exceed $143,000,000.

for

Scott Miller

CFO / Director, Administrative Services

Attachment 1

RESOLUTION NO. 12-R-__

RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH THE REFINANCING OF CERTAIN LEASE OBLIGATIONS, AND THE FUNDING OF AN EMPLOYEE ALTERNATIVE RETIREE MEDICAL PROGRAM

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 provide financing and refinancing for certain projects by entering into, among other arrangements, lease/leasebacks with the City; and

WHEREAS, for the purpose of raising funds necessary to (a) refinance certain existing lease obligations previously entered into between the Authority and the City, thereby refunding the Authority's related 2007 Lease Revenue Bonds (Capital Improvements Project) (the "2007 Bonds"), and to (b) finance the funding of the City's alternative retiree medical program (collectively, with other eligible projects or programs approved by the City Council of the City, the "Projects"), the Authority proposes to authorize the issuance of up to two series of its revenue bonds 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 (i) the "City of Beverly Hills Public Financing Authority 2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project)" (the "Series A Bonds"), and (ii) the "City of Beverly Hills Public Financing Authority 2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program)" (the "Taxable Series B Bonds" and, together with the Series A Bonds, the "2012 Bonds"); and

WHEREAS, pursuant to a Site and Facility Lease (the "Site Lease"), the City will lease to the Authority some or all of the real property identified in Exhibit A hereto (collectively, the "Site") and the improvements constructed or to be constructed thereon (the "Facilities" and, together with the Site, the "Leased Property"); 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 assign the lease payments paid by the City to the Authority under the Property Lease to the U.S. Bank National Association, as trustee for the 2012 Bonds, to pay debt service on the 2012 Bonds; and

WHEREAS, in order to assist E. J. De La Rosa & Co., Inc., as the underwriter of the 2012 Bonds (the "Underwriter"), 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 offering and sale of the 2012 Bonds; and

WHEREAS, as a condition precedent to the issuance of the Taxable Series B 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 2012 Bonds and the transactions related thereto will result in significant public benefits within the contemplation of Section 6586 of the Act. The City Council hereby approves the issuance of the 2012 Bonds in up to two series, as set forth above, provided that the City Council authorizes the Designated Officers to finance only those Projects described above through the issuance of the Taxable Series B Bonds that the Designated Officers determine are in the best interest of the City to so finance.

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 2012 Bonds (the "Preliminary Official Statement") 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 and disclosure 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 disclosure 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 40 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 among the Authority, the City and the Underwriter on file with the City Clerk (the "Bond Purchase Agreement"), with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel and disclosure counsel, the execution of which by the City shall be conclusive evidence of the approval of any such additions or changes; provided that no such addition or change may increase the principal amount of 2012 Bonds to be in excess of $95,000,000, or, (i) with respect to the Series A Bonds, may provide for a true interest cost in excess of 4.50% or an underwriters' discount (exclusive of any original issue discount) of greater than 1.00%, or may result in net debt service savings of less than 3.00% of the par amount of the 2007 Bonds being refunded, or (ii) with respect to the Taxable Series B Bonds, may provide for a true interest cost in excess of 6.00% or an underwriters' discount (exclusive of any original issue discount) of greater than 1.00%. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the City's obligations thereunder.

Section 6. The City Council hereby approves the form of the Irrevocable Refunding Instructions from the Authority and the City to U.S. Bank National Association, as trustee for the 2007 Bonds (the "Refunding Instructions"), on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes.The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Refunding Instructions for and in the name of and on behalf of the City.

Section 7. 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 2012 Bonds, the City Council approves the lease financing to be provided by the issuance and delivery of the 2012 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 2012 Bonds.

Section 8. Notwithstanding anything herein to the contrary, the Series A Bonds and the Taxable Series B Bonds may be sold and issued at different times. In such event, the City Council authorizes the Designated Officers, as they deem necessary or advisable, to prepare separate documentation for each series of 2012 Bonds, including a separate Indenture, Property Lease, Site Lease, Official Statement and Bond Purchase Agreement, and such other documents that the Designated Officers deem necessary or advisable.

Section 9. 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, 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 2012 Bonds, and the consummation of the transactions as described herein, including, without limitation, a continuing disclosure certificate and such documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

Adopted and approved this 6th day of March, 2012.

Barry Brucker, Mayor

ATTEST:

Byron Pope, City Clerk

Approved as to form:

Stephen Melikian
Jones Hall, APLC
Bond Counsel

Approved as to content:

for JK

Jeffrey C. Kolin, City Manager

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

EXHIBIT A

POTENTIAL SITES

The following real property, or portions thereof, may be leased by the City of Beverly Hills to the City of Beverly Hills Public Financing Authority pursuant to the Site and Facility Lease and the Property Lease:

- Vehicle Maintenance Shop located at 9333 West Third Street, Beverly Hills
- Public Works Parking Structure located at 9333 West Third Street, Beverly Hills
- City Library located at the Civic Center Complex, Beverly Hills
- Greystone Mansion Park , 905 Loma Vista Drive, Beverly Hills
- La Cienega Park, 321-333 La Cienega Boulevard, Beverly Hills

RESOLUTION NO. 12-R-___

RESOLUTION OF THE CITY OF BEVERLY HILLS APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN FINANCING DOCUMENTS AND DIRECTING CERTAIN RELATED ACTIONS IN CONNECTION WITH REFINANCING CERTAIN IMPROVEMENTS TO THE CITY'S WATER SYSTEM

WHEREAS, the City of Beverly Hills (the "City") and the Parking Authority of the City of Beverly Hills (the "Agency") 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 and refinance the acquisition, construction and improvement of certain public capital improvements; and

WHEREAS, for the purpose of raising funds necessary to finance certain improvements to the City's water system, the Authority has previously issued its City of Beverly Hills Public Financing Authority 2007 Water Revenue Bonds (the "2007 Bonds"); and

WHEREAS, the Authority has also issued its City of Beverly Hills Public Financing Authority 2007 Lease Revenue Bonds (Capital Improvements Project) (the "2007 Lease Revenue Bonds") to finance various public improvements; and

WHEREAS, the Authority has, through the issuance of its Lease Revenue Bonds, 2003 Refunding Series A (the "2003 Bonds") and its 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project) (the "2009 Bonds"), financed certain improvements to the City's Water Enterprise, constituting the 2003 Water Project and the 2009 Water Project (as such terms are defined in the hereinafter mentioned Indenture), respectively, and the Water Enterprise (as such term is defined in the Indenture) is responsible for reimbursing the City's General Fund for a portion of the lease payments made by the City in connection with the 2003 Bonds and 2009 Bonds; and

WHEREAS, the City now desires the Water Enterprise to prepay the portion of such lease payments reimbursable by the Water Enterprise; and

WHEREAS, the Authority proposes to authorize the issuance of its revenue bonds 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 2012 Water Revenue Refunding Bonds, Second Series A (the "Bonds"), for the purpose of refunding, in whole or in part, the 2007 Bonds and a portion of the 2007 Lease Revenue Bonds, the debt service on which is equal to the amount the Water Enterprise is reimbursing the City's General Fund in connection with the lease payments for the 2003 Bonds and the 2009 Bonds; and

WHEREAS, pursuant to an Installment Sale Agreement between the City and the Authority (the "Sale Agreement"), the City will make certain payments to the Authority, and the Authority will use the installment payments paid by the City pursuant to the Sale Agreement to pay debt service on the Bonds; and

WHEREAS, in order to assist E.J. De La Rosa & Co., Inc. (the "Underwriter"), as the underwriter 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, the City has duly considered such transactions and wishes at this time to approve certain matters relating to these transactions in the public interest of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS,

Section 1. Pursuant to the Act, the City Council hereby finds and determines that the issuance of the Bonds and the transactions related thereto 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") 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 disclosure 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 form of the Sale 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 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 Sale Agreement 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 Sale Agreement. The City Council hereby authorizes the performance by the City of its obligations under the Sale Agreement. The maximum stated term of the Sale Agreement shall not exceed 35 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 the Designated Officer 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; provided that no such addition or change shall increase the principal amount of Bonds to be in excess of $48,000,000, or shall provide for a true interest cost in excess of 4.50% or an underwriter's discount (exclusive of any original issue discount) of greater than 1.00%, provided that the Authority shall refund the 2007 Bonds and/or the 2007 Lease Revenue Bonds only if such refunding results in present value savings, as determined by the Designated Officers, of at least 3.00% of the principal amount of the 2007 Bonds or the 2007 Lease Revenue Bonds being refunded, as applicable. The Designated Officers, each acting alone, are hereby authorized and directed to execute the Bond Purchase Agreement and to take all actions necessary to fulfill the City's obligations thereunder.

Section 6. The City Council hereby approves the form of the Irrevocable Refunding Instructions from the Authority and the City to U.S. Bank National Association, as trustee for the 2007 Bonds (the "2007 Refunding Instructions"), on file with the City Clerk, together 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 Authority shall be conclusive evidence of the approval of any such additions and changes. The City Council hereby approves the form of the Irrevocable Refunding Instructions from the Authority and the City to U.S. Bank National Association, as trustee for the 2007 Lease Revenue Bonds (the "2007 Lease Revenue Bonds Refunding Instructions"), on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers deem necessary, desirable or appropriate upon consultation with bond counsel to the Authority, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes.The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, the final form of the Refunding Instructions for and in the name of and on behalf of the City.

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, 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, refunding instructions and such other documents, assignments, certificates and agreements as may be required by any of the documents approved herein.

Adopted and approved this 6th day of March, 2012.

Barry Brucker, Mayor

ATTEST:

Byron Pope, City Clerk

Approved as to form:

Stephen Melikian
Jones Hall, APLC
Bond Counsel

Approved as to content:

for JK

Jeffrey C. Kolin, City Manager

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

Attachment 2

PRELIMINARY OFFICIAL STATEMENT DATED _______________, 2012

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 Series A 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Series A Bonds and the Taxable Series B Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$___________*	**$___________***
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY	**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY**
2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project)	**2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program)**

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

Authority for Issuance. The bonds captioned above (the "Series A Bonds," the "Taxable Series B Bonds" and, collectively, the "2012 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 _______________, 2012, and an Indenture dated as of April 1, 2012 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE 2012 BONDS – Authority for Issuance."

Use of Proceeds. The Series A Bonds are being issued primarily to refund on a current basis the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority 2007 Lease Revenue Bonds (Capital Improvements Project)." The Taxable Series B Bonds are being issued primarily to fund the City's alternative retiree medical program for safety employees. In addition, the proceeds of the 2012 Bonds will pay the costs of issuing the 2012 Bonds. See "FINANCING PLAN."

Security for the 2012 Bonds. Under the Indenture, the 2012 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 April 1, 2012, by and between the Authority, as lessor, and the City of Beverly Hills (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 2012 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2012 BONDS."

Bond Terms; Book-Entry Only. The 2012 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 December 1, 2012, and will be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The 2012 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 2012 Bonds will not receive certificates representing their interests in the 2012 Bonds. Payments of the principal of, premium, if any, and interest on the 2012 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 2012 Bonds. See "THE 2012 BONDS – General Provisions."

Redemption. **The 2012 Bonds are subject to optional redemption, mandatory redemption from insurance or condemnation proceeds, and mandatory sinking account redemption prior to maturity. See "THE 2012 BONDS – Redemption."**

NEITHER THE 2012 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 2012 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2012 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 2012 BONDS.

The 2012 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 2012 Bonds will be delivered in book-entry form through the facilities of DTC on or about _______________, 2012.

De La Rosa

The date of this Official Statement is: _______________, 2012

* Preliminary; subject to change.

MATURITY SCHEDULE*

Series A Bonds
$ _______________ Serial Bonds
(Base CUSIP†: ______)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$ ____ __% Term Bond due June 1, 20__, Price: __% CUSIP† No. __

Taxable Series B Bonds
$ _______________ Serial Bonds
(Base CUSIP†: ______)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$ ____ __% Term Bond due June 1, 20__, Price: __% CUSIP† No. __

* Preliminary; subject to change

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
CITY OF BEVERLY HILLS

AUTHORITY BOARD/CITY COUNCIL

Barry Brucker, *Chair/Mayor*
William W. Brien, MD, *Vice Chair/Vice Mayor*
John A. Mirisch, *Director/Councilmember*
Lili Bosse, *Director/Councilmember*
Julian A. Gold, MD, *Director/Councilmember*

AUTHORITY/CITY OFFICIALS

Jeff Kolin, *Executive Director/City Manager*
Mahdi Aluzri, *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

VERIFICATION AGENT
Causey, Demgen & Moore, Inc.,
Certified Public Accountants,
Denver, Colorado

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 2012 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 2012 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 2012 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 overallot or effect transactions which stabilize or maintain the market price of the 2012 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 2012 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 2012 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 2012 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	**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY**
2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project)	**2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program)**

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 2012 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 "**Series A Bonds**," the "**Taxable Series B Bonds**" and, collectively, the "**2012 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 ________________, 2012 (the "**Authority Resolution**"), and by the City Council (the "**City Council**") of the City of Beverly Hills (the "**City**") on ______________, 2012 (the "**City Resolution**"), and

(c) an Indenture (the "**Indenture**"), dated as of April 1, 2012, by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

Form of Bonds; Book-Entry Only. The 2012 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 2012 Bonds. Purchasers of the 2012 Bonds will not receive certificates representing the 2012 Bonds that are purchased. See

* Preliminary; subject to change.

"THE 2012 BONDS - Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of the 2012 Bonds. The Series A Bonds are being issued primarily to refund on a current basis the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority 2007 Lease Revenue Bonds (Capital Improvements Project)."

The Taxable Series B Bonds are being issued primarily to fund the City's alternative retiree medical program for safety employees.

In addition, the proceeds of the 2012 Bonds will pay the costs of issuing the 2012 Bonds. See "FINANCING PLAN."

Security for the 2012 Bonds and Pledge of Revenues. Under the Indenture, the 2012 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 April 1, 2012, 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 2012 BONDS."

The City and the Authority will enter into a Site and Facility Lease dated as of April 1, 2012 (the "**Site Lease**"). Under the Site Lease, the City will lease certain real property to the Authority, consisting of ________________ located at ________________ in the City (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."

No Debt Service Reserve Fund. The Indenture does not require the Authority to establish a debt service reserve fund for the 2012 Bonds; accordingly, other than the proceeds of rental interruption insurance as described below, there is no reserve for the payment of Lease Payments or debt service on the 2012 Bonds in the event of abatement. See "BOND OWNERS' RISKS – Abatement."

Redemption. The 2012 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 2012 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 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 2012 Bonds. To the extent proceeds of rental interruption insurance are available (as described below), Base Rental Payments (or a portion thereof) may be made from those proceeds during periods of abatement. The Authority is not funding a debt service reserve fund for the 2012 Bonds. See "SECURITY FOR THE 2012 BONDS – Abatement" and "BOND OWNERS' RISKS."

Risks of Investment. The 2012 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 2012 Bonds, see "BOND OWNERS' RISKS."

NEITHER THE 2012 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 2012 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2012 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

Refunding Plan for 2007 Bonds

The Authority previously issued the 2007 Bonds on February 15, 2007, in the principal amount of $81,600,000.

The 2007 Bonds were issued to (a) finance certain capital improvements of the City, consisting generally of the construction of a replacement for the City's vehicle maintenance shop, the construction of a public works parking structure at the City's public yards, and certain upgrades to and remodeling of City Hall, and (b) to refund on an advance basis all of the Authority's bonds captioned "Lease Revenue Bonds, 1998 Series A (Capital Improvement Project)" and a portion of the Authority's bonds captioned "Lease Revenue Bonds, 1999 Refunding Series A."

The refinancing plan calls for the outstanding 2007 Bonds maturing on and after June 1, 2013, to be redeemed in full on ______________, 2012 (the "**Redemption Date**"), at a redemption price equal to 100% of the principal amount thereof, together with interest coming due and payable on the Redemption Date, without premium.

In order to accomplish the refinancing plan, a portion of the proceeds of the Series A Bonds, together with a deposit by the City of an amount equal to the debt service on the 2007 Bonds coming due on June 1, 2012, certain other funds on hand with respect to the 2007 Bonds, and the proceeds of other Authority obligations previously issued for this purpose, will be transferred to U.S. Bank National Association, acting as the trustee for the 2007 Bonds (the "**2007 Trustee**"), for deposit in an escrow fund (the "**Escrow Fund**") to be established under Irrevocable Refunding Instructions dated as of April 1, 2012 (the "**Refunding Instructions**") given by the Authority to the 2007 Trustee.

The 2007 Trustee will [invest the amounts on deposit in the Escrow Fund in certain federal securities as specified in the Refunding Instructions] [hold the amounts on deposit in the Escrow Fund in cash, uninvested.] These funds, together with any remaining amounts held in cash by the 2007 Trustee, will be sufficient to pay and redeem the 2007 Bonds in full on the Redemption Date, and to defease the outstanding 2007 Bonds as of the date of issuance of the Series A Bonds. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Taxable Series B Bonds

The Authority will transfer a portion of the proceeds from the sale of the Taxable Series B Bonds to the City for the purposes of funding the City's alternative retiree medical program for safety employees.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2012 Bonds are as follows:

Sources:	Series A Bonds	Taxable Series B Bonds	Total
Principal Amount of 2012 Bonds	$	$	$
Plus Original Issue Premium			
Less Original Issue Discount			
Plus Fund Relating to 2007 Bonds			
TOTAL SOURCES	$	$	$
Uses:			
Deposit to Escrow Fund [1]	$	$	$
Deposit to Improvement Fund [2]			
Deposit to Costs of Issuance Fund [3]			
Underwriter's Discount			
TOTAL USES	$	$	$

[1] Represents funds to be used to refund the 2007 Bonds maturing on and after June 1, 2013. See "– Refunding Plan for 2007 Bonds" above.

[2] Represents funds to be used to fund the City's alternative retiree medical program for safety employees. See "–Taxable Series B Bonds" above.

[3] 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.

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 ____________________ located at __________________ in the City. The property includes ____________________________.

Estimated Valuation. The City currently estimates that the Leased Property has a value of approximately $____ million based on an appraisal dated ____________, 20__, commissioned by the City, that valued the property using the [income capitalization approach].

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 or otherwise do not adversely affect the fair market value of the Leased Property. 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 condition that 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.

- A letter from each rating agency then rating the 2012 Bonds to the effect that such removal will not reduce the then current rating on the 2012 Bonds.

[Notwithstanding the foregoing, the Authority and the City may amend the Property Lease and the Site Lease to remove that portion of the Leased Property located at __________________ upon the payment in full of the Taxable Series B Bonds without complying with these provisions of the Property Lease.]

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.

THE 2012 BONDS

This section provides summaries of the 2012 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2012 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of the Authority on ______________, 2012), the City Resolution (which was adopted by the City Council on ______________, 2012), and the Indenture. Under the Authority Resolution and the City Resolution, the 2012 Bonds may be issued in a combined principal amount not to exceed $________________.

General Provisions

Bond Terms. The 2012 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 2012 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 2012 Bonds will be payable on June 1 and December 1 in each year, beginning December 1, 2012 (each an "**Interest Payment Date**").

While the 2012 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2012 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2012 Bonds. See "– Book-Entry Only System" below.

Interest with respect to any 2012 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 2012 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 2012 Bond is payable upon surrender of such 2012 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 2012 Bonds will be payable in lawful money of the United States of America.

Calculation of Interest. Interest on the 2012 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 2012 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 2012 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 2012 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 2012 Bonds as a whole, or in part by lot within any maturity if less than all of the 2012 Bonds of a particular issue or series and 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.

Series A Bonds. The Series A 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 Series A Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

20__ Series A Term Bonds

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
20___	
20___	
20___	
20___ (Maturity)	

* Preliminary; subject to change.

The Series A 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 Series A Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

20__ Series A Term Bonds

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.

Taxable Series B Bonds. The Taxable Series B 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 Taxable Series B Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

20__ Taxable Series B Term Bonds

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
20___	
20___	
20___	
20___ (Maturity)	

The Taxable Series B 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 Taxable Series B Term Bonds to be redeemed and the dates therefor will be as set forth in the following schedule:

20__ Taxable Series B Term Bonds

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.

Series A Bonds. The Series A 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 (and by lot within a maturity), from amounts deposited with the Trustee by the Authority from any funds available therefor other than insurance or condemnation proceeds, at a redemption price equal to the principal amount of Series A Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Taxable Series B Bonds. The Taxable Series B Bonds are subject to redemption prior to their maturity, at the option of the Authority, from any source available for such purpose, in whole or in part on any date, as set forth in a Request of Authority, in such order of maturity as the Authority determines (and by lot within a maturity), at a redemption price (specified by the Authority to the Trustee) equal to the Optional Make-Whole Redemption Price. The "**Optional Make-Whole Redemption Price**" means the amount (specified by the Authority to the Trustee) equal to the greater of the following:

(A) the greater of:

(1) the issue price of the Taxable Series B Bonds (as set forth in the Bond Purchase Contract), to be redeemed; or

(2) the principal amount of the Taxable Series B Bonds to be redeemed; or

(B) the sum of the present value of the remaining scheduled payments of the principal of and interest on the Taxable Series B Bonds to be redeemed to the maturity date of such Taxable Series B Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which the Taxable Series B Bonds are to be redeemed, discounted to the date on which the Taxable Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined below), plus 35 basis points; *plus*, in each case, accrued interest on the Taxable Series B Bonds to be redeemed to the date of redemption.

"**Treasury Rate**" means, with respect to any redemption date for a particular Taxable Series B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Series B Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Selection of Bonds for Redemption. For purposes of selecting 2012 Bonds for redemption, 2012 Bonds will be deemed to be composed of $5,000 portions or any integral multiple thereof.

Whenever less than all the Outstanding 2012 Bonds of the same issue or series 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 2012 Bonds or portions thereof to be redeemed from the Outstanding 2012 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 2012 Bonds are called for redemption through mandatory redemption from insurance or condemnation proceeds at any one time, the Authority will specify to the Trustee the 2012 Bonds to be redeemed on a proportionate basis among maturities, or, if necessary, in such other manner to ensure that the Base Rental payments remaining after such redemption will be sufficient to pay debt service on the 2012 Bonds on a timely basis.

If less than all the Outstanding Bonds are called for redemption pursuant to optional redemption as described above at any one time, the Authority will specify to the Trustee a principal amount in each maturity of each issue of 2012 Bonds 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2012 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 2012 Bonds. Purchasers of the 2012 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 2012 Bonds.

Year Ending June 1	Series A Bonds Principal	Series A Bonds Interest	Taxable Series B Bonds Principal	Taxable Series B Bonds Interest	Total 2012 Bonds Debt Service
2012	$ -0-	$	$ -0-	$	$
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					
2040					
2041					
2042					
Total:					

SECURITY FOR THE 2012 BONDS

The principal of and interest on the 2012 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 2012 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.

This pledge, assignment, grant, lien and security interest are 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, are, 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 2012 Bonds.

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 2012 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 2012 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 2012 Bonds, if any, deposited in the Interest 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 2012 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 2012 Bonds or redeeming Bonds,

(iv) other amounts received by the Trustee for the benefit of the Owners of the 2012 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,

(vii) 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 of the Indenture are required to be deposited in the Revenue Fund,

(vii) any contributions from whatever source, and

(ix) 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 or accounts 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 as of the fifth Business Day prior to the applicable Interest Payment Date, will be sufficient to pay the aggregate amount of interest becoming due and payable on the Outstanding 2012 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 2012 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 2012 Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the 2012 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 2012 Bonds when due and payable, subject, however, to the provisions of the Indenture regarding reimbursement of rental.

(c) *Surplus Revenue Fund.* After making the deposits to the Interest Fund and Principal 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 2012 Bonds on such Principal Payment Date, and will hold any such moneys in the Surplus Revenue Fund for transfer to the Interest Fund or the Principal 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.

(d) *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.

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 November 25, 2012) 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 Revenue 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 under the Property Lease. Further, any amount held in the Revenue Fund, the Interest Fund and the Principal Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental payments in part but not in whole under the Property Lease and other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited toward the Base Rental payment then required to be paid under the Property Lease; and no Base Rental payment need be deposited with the Trustee on any Base Rental Payment Date if the amounts then held in the Revenue Fund, the Interest Fund and the Principal Fund are at least equal to the Base Rental payment then required to be deposited with the Trustee.

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 2012 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 2012 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, 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 ordinance relating to the payment of rentals under the Property Lease 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 in the year falling 10 years after the final Lease Payment is due.

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 Surplus Revenue Fund; 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 to make debt service payments on the 2012 Bonds. See "– Property Insurance" below. However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2012 Bonds when due.

No Debt Service Reserve Fund. The Indenture does not require the Authority to establish a debt service reserve fund for the 2012 Bonds; accordingly, other than the proceeds of rental interruption insurance as described above, there is no reserve for the payment of Lease Payments or debt service on the 2012 Bonds in the event of abatement.

See "BOND OWNERS' RISKS – Abatement."

Property Insurance

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 (as determined in the sole discretion of the City).

(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 2012 Bonds and the payment of the interest thereon as such Bonds and interest become due.

So long as any of the 2012 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.

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, 2011." 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, 2011 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles 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 will account for approximately 74% of the General Fund revenues in Fiscal Year 2011-12, are projected to be as follows:

	Percent of Total General Fund Revenues
Property Tax	23%
Business Tax	20%
Sales Tax	14%
Transient Occupancy Tax	17%

As shown in Table 2 below, the General Fund operated at a revenue surplus (defined as revenues less expenditures) in Fiscal Year 2005-06 through Fiscal Year 2010-11 in the following amounts:

Fiscal Year	Surplus
2005-06	$14,675,479
2006-07	14,912,288
2007-08	24,098,668
2008-09	5,789,065
2009-10	13,241,203
2010-11	19,468,719

The revenue surplus (revenues less expenditures) that remains at the end of each fiscal year is generally used for transfers or designations of funds for a particular purpose. Although the purpose of individual year end transfers, or designations can vary, some examples include setting aside monies for other post-employment benefits, for small equipment purchases, and for infrastructure. The City currently projects, based on unaudited actual financial results that the General Fund will operate at a revenue surplus for Fiscal Year 2011-12 equal to approximately $6.8 million. The City Council has adopted a Fiscal Year 2011-12 budget that includes what it believes to be conservative revenue and surplus projections, which the City anticipates will allow surplus funds to be available for transfer to capital project funds.

The tables below reflect the following information about the City's General Fund:

• *Table 1:* a five-year history of the City's General Fund balance sheet;

• *Table 2:* a five-year history of the City's General Fund revenues, expenditures and fund balances, and

• *Table 3:* the City's General Fund budgeted revenues and expenditures for the Fiscal Year ending June 30, 2011.

This information should be read in conjunction with the City's audited financial statements attached as "APPENDIX B," particularly the section entitled "Notes to Basic Financial Statements."

TABLE 1
GENERAL FUND BALANCE SHEET
FISCAL YEARS ENDING JUNE 30, 2007 THROUGH JUNE 30, 2011 (AUDITED)

	Audited Fiscal Year 2007	Audited Fiscal Year 2008	Audited Fiscal Year 2009	Audited Fiscal Year 2010	Audited Fiscal Year 2011
Assets					
Cash and investments	$ 64,602,911	$ 73,361,824	$ 68,555,907	$71,305,613	$63,648,304
Accounts receivable, net	4,777,878	6,716,413	5,700,327	6,303,876	7,869,237
Interest receivable	534,366	187,397	234,799	176,035	148,239
Taxes receivable	7,122,288	8,054,738	11,834,069	14,126,769	13,433,929
Interfund receivables [1]	228,419	349,577	371,201	178,448	9,538,647
Intergovernmental receivables	6,169,478	3,930,408	3,817,463	3,418,130	3,655,324
Prepaid items	106,463	94,583	97,628	774,640	--
Advances to other funds	16,603,868	16,040,666	21,276,488	20,207,321	17,882,449
Total assets	100,145,671	108,735,606	111,887,882	116,490,832	116,176,129
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	4,261,938	2,666,128	3,080,192	3,193,199	3,027,596
Accrued payroll	2,339,169	2,699,158	2,894,358	4,019,704	3,457,324
Interfund payables	--	--	2,281	--	--
Intergovernmental payables	913,950	531,912	872,160	1,242,880	1,640,791
Customer deposits	5,300,631	5,504,723	5,463,424	2,749,274	2,711,430
Deferred revenue	5,934,940	4,029,423	6,134,410	7,720,796	7,354,832
Total liabilities	18,750,628	15,431,344	18,446,825	18,925,853	18,191,973
Fund balances:					
Reserved for:					
Encumbrances	1,693,807	2,534,941	--	--	--
Prepaid expenses	106,463	94,583	--	--	--
Advances to other funds	16,603,868	16,040,666	--	--	--
Unreserved, reported in General Fund	62,990,905	74,634,072	--	--	--
Nonspendable [3]	--	--	24,920,411	24,369,188	24,194,752
Restricted [2] [3]	--	--	32,000,000	32,000,000	--
Committed [3]	--	--	16,364,502	16,109,814	8,480,041
Assigned [3]	--	--	957,235	3,284,204	1,447,295
Unassigned [3]	--	--	19,198,909	21,801,773	63,862,068
Total fund balances	81,395,043	93,304,262	93,441,057	97,564,979	97,984,156
Total liabilities and fund balances	$100,145,671	$108,735,606	$111,887,882	116,490,832	116,176,129

[1] Increase in Fiscal Year 2010-11 represents a short-term advance of $8,000,000 from the General Fund to the Parking Enterprise Fund to cover cash flow needs (caused by the timing difference between construction payments and the draw down on the 2010 Lease Revenue Bond proceeds) for the construction of a new parking structure at 450 Crescent Drive.

[2] Represents funds deposited in a certificate of deposit to provide collateral for a construction loan for an office building constructed by the City at 331 Foothill Drive. Upon completion of construction, the certificate of deposit matured and the funds used as collateral, plus their interest earning, were released to the City's General Fund. The Authority is currently using the land and constructed office building as collateral for a 15-year commercial real estate loan at an interest rate of 5.72%. 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 loan. See "–Long-Term General Fund Obligations" below.

[3] Starting in Fiscal year 2008-09, the City reports fund balances under the format prescribed by GASB 54, Fund Balance Reporting and Government Fund Type Definitions.

Source: City of Beverly Hills.

TABLE 2
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2007 THROUGH JUNE 30, 2011 (AUDITED)

	Audited Fiscal Year 2007	Audited Fiscal Year 2008	Audited Fiscal Year 2009	Audited Fiscal Year 2010	Audited Fiscal Year 2011
Revenues					
Taxes, net	$119,464,294	$126,835,543	$121,240,621	$121,971,587	$125,602,667
Licenses and permits	12,226,052	12,122,383	11,425,387	9,591,105	12,123,447
Intergovernmental	1,727,415	3,402,090	3,868,952	931,619	895,074
Charges for service	9,610,253	10,150,929	8,997,998	10,703,306	10,403,508
Fines, forfeitures and penalties	6,990,860	8,155,085	9,296,387	10,127,770	9,532,623
Use of money and property	7,082,885	7,261,336	5,963,950	5,027,482	5,883,819
Net change in fair value of investments	239,721	49,011	132,412	250,239	226,025
Miscellaneous	1,393,400	1,748,751	1,168,980	973,399	863,170
Total Revenues	158,734,880	169,725,128	162,094,687	159,576,507	165,530,333
Expenditures					
Current:					
General government	11,209,334	6,475,903	6,638,899	5,980,063	5,873,238
Public safety	80,591,213	85,618,196	87,740,840	81,184,415	81,611,388
Public service	15,804,297	18,636,198	20,440,701	18,134,453	19,542,284
Culture and recreation	36,217,748	34,896,163	41,485,182	41,036,373	38,924,616
Capital Outlay:	--	--	--	--	110,088
Total expenditures	143,822,592	145,626,460	156,305,622	146,335,304	146,061,614
Excess of revenues over expenditures	14,912,288	24,098,668	5,789,065	13,241,203	19,468,719
Other financing sources (uses):					
Operating transfers in	2,186,509	6,000	3,406,000	1,908,400	1,906,000
Insurance recoveries	--	--	13,085	10,055	45,388
Operating transfers out	(4,760,066)	(12,195,449)	(9,071,355)	(11,035,736)	(21,000,930)
Total other financing sources (uses)	(2,573,557)	(12,189,449)	(5,652,270)	(9,117,281)	(19,049,542)
Excess of revenues and other sources over expenditures and other uses	12,338,731	11,909,219	136,795	4,123,922	419,177
Fund balances, July 1	69,056,312	81,395,043	93,304,262	93,441,057	97,564,979
Fund balances, June 30	$81,395,043	$93,304,262	$93,441,057	$97,564,979	$97,984,156

Source: City of Beverly Hills.

TABLE 3
GENERAL FUND
BUDGETED REVENUES AND EXPENDITURES
FISCAL YEAR ENDING JUNE 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Over (Under)
Revenues:				
Taxes:				
Business	$ 32,000,000	32,000,000	33,993,715	1,993,715
Property	42,030,000	42,030,000	42,045,747	15,747
Sales	21,000,000	21,000,000	22,052,861	1,052,861
Transient occupancy	23,700,000	23,700,000	26,594,808	2,894,808
Other	699,000	699,000	915,536	216,536
Licenses and permits	10,695,886	10,695,886	12,123,447	1,427,561
Intergovernmental	799,988	881,590	895,074	13,484
Charges for services	9,566,653	9,628,023	10,403,508	775,485
Fines, forfeitures and penalties	7,869,950	7,869,950	9,532,623	1,662,673
Use of money and property	5,751,132	5,751,132	5,883,819	132,687
Net change in fair value of investments	—	—	226,025	226,025
Miscellaneous	889,100	901,274	863,170	(38,104)
Total revenues	155,001,709	155,156,855	165,530,333	10,373,478
Expenditures:				
Current:				
General government:				
Financial services	772,769	779,369	698,432	(80,937)
Economic development	3,314,448	3,382,048	2,850,859	(531,189)
Non-departmental	6,382,484	5,378,244	2,323,947	(3,054,297)
Total general government	10,469,701	9,539,661	5,873,238	(3,666,423)
Public safety:				
Police services	48,787,359	49,718,748	49,105,701	(613,047)
Fire control	29,040,899	29,469,514	28,463,644	(1,005,870)
Building and safety	3,885,666	4,392,865	4,031,590	(361,275)
Hazard Mitigation	12,000	20,100	10,453	(9,647)
Total public safety	81,725,924	83,601,227	81,611,388	(1,989,839)
Public service:				
Engineering and administration	$ 847,748	882,161	955,168	73,007
Streets and subdrains	4,576,062	4,576,302	4,409,922	(166,380)
Planning services	5,444,954	5,638,800	5,547,067	(91,733)
Community services	8,335,704	9,044,755	8,630,127	(414,628)
Total public service	19,204,468	20,142,018	19,542,284	(599,734)
Culture and recreation:				
Recreation and parks	17,158,625	18,319,572	17,238,389	(1,081,183)
Library	10,553,739	10,650,402	11,178,613	528,211
Education	10,312,188	10,312,188	10,313,297	1,109
Promotion and tourism	300,000	275,000	194,317	(80,683)
Total culture and recreation	38,324,552	39,557,162	38,924,616	(632,546)
Capital outlay	—	10,000	110,088	100,088
Total expenditures	149,724,645	152,850,068	146,061,614	(6,788,454)
Excess of revenues over expenditures	5,277,064	2,306,787	19,468,719	17,161,932
Other financing sources (uses):				
Transfers in (note 7)	2,710,892	2,710,892	1,906,000	(804,892)
Insurance recoveries	—	—	45,388	45,388
Transfers out (note 7)	(7,572,234)	(16,582,846)	(21,000,930)	4,418,084
Total other financing sources (uses)	(4,861,342)	(13,871,954)	(19,049,542)	(5,177,588)
Net change in fund balances	415,722	(11,565,167)	419,177	11,984,344
Fund balance, July 1	97,564,979	97,564,979	97,564,979	—
Fund balance, June 30	$ 97,980,701	85,999,812	97,984,156	11,984,344

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 for the most recent fiscal year.

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 2001-02 THROUGH 2010-11
(Unaudited)

Fiscal Year	General Property Tax	General Sales Tax	Business Tax	Transient Occupancy Tax	Other Taxes	Total	Percent Change
2001-02	$20,845,212	$18,070,898	$24,976,171	$14,648,226	$ 940,613	$81,099,662	(1.17%)
2002-03	22,055,172	18,496,094	26,925,080	14,799,776	1,410,280	85,468,000	5.39%
2003-04	23,687,873	19,945,850	27,303,220	16,683,673	1,554,120	89,174,736	4.34%
2004-05	25,883,525	21,560,680	28,188,103	19,263,710	1,424,725	96,320,743	8.01%
2005-06	28,862,559	24,108,791	31,634,820	22,842,265	1,494,318	108,942,753	13.10%
2006-07	32,409,814	25,886,148	33,637,997	25,870,676	1,659,659	119,464,294	9.66%
2007-08	34,601,350	27,378,605	34,371,407	29,101,920	1,382,261	126,835,543	6.17%
2008-09	37,866,581	23,777,904	34,976,554	24,001,879	597,703	121,240,621	(4.41%)
2009-10	39,746,419	18,642,155	34,405,144	22,313,258	593,066	115,700,042	(4.57%)
2010-11	34,189,107	27,173,451	34,693,928	29,677,750	1,769,915	125,602,667	8.56%

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.

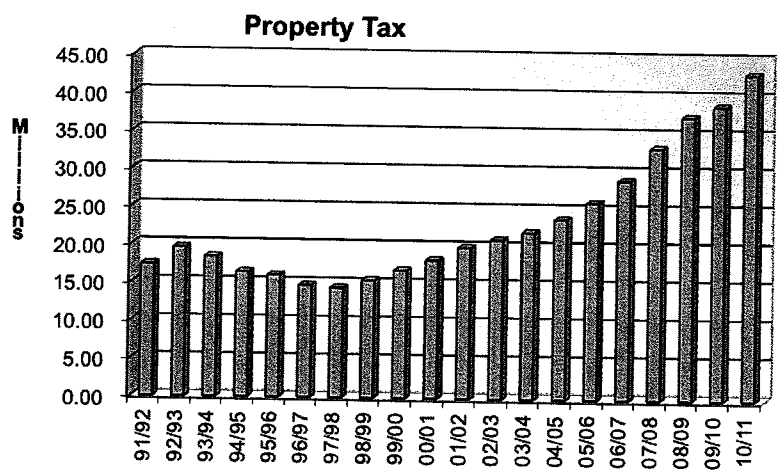
Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The 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 graph illustrates how property tax revenues respond to economic conditions. In Fiscal Year 1991-92, the State and nation were in a period of slight economic recovery similar to our current circumstance. As the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. Fiscal year 2010-11 saw property tax revenues decrease slightly to $42.1 million, a 2% decrease over the prior year. Once again we see that property tax responds at a much slower rate to economic recovery than other consumption-based taxes.

Because property tax revenues can take as long as two years to respond to changes in economic conditions, they help the City adjust to economic downturns by lessening the immediacy of revenue loss.



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.

TABLE 5
CITY OF BEVERLY HILLS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Home Owner Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value
1996-97	$ 8,392,848,000	$ 315,121,000	$ 37,605,000	$ 8,670,364,000	$ 8,707,969,000	99.57%
1997-98	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57
1998-99	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59
1999-00	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64
2000-01	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67
2001-02	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69
2002-03	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71
2003-04	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73
2004-05	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74
2005-06	14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77
2006-07	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79
2007-08	17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80
2008-09	19,813,776,889	567,725,139	35,618,800	20,345,883,228	20,381,502,028	99.83
2009-10	21,055,787,380	578,769,365	35,515,200	21,599,041,545	21,634,556,745	99.84
2010-11	20,534,364,962	541,088,467	35,105,000	21,040,348,429	21,075,453,429	99.83
2011-12	20,811,830,307	515,563,539	34,384,000	21,293,009,846	21,054,528,136	98.88

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 for fiscal year 2011-12.

TABLE 6
PRINCIPAL SECURED PROPERTY TAXPAYERS
FISCAL YEAR 2010-11

Rank	Owner Name	Secured Land Use	Secured Taxable Value	Unsecured Taxable Value	Combined Taxable Value	Percent of Total
1	Douglas Emmett LLC	Office Building	$407,880,497	$77,543	$407,958,040	1.92%
2	Sloane Two Rodeo LLC	Shopping Center	281,942,373	11,600	281,953,973	1.32
3	Sajahtera Inc.	Hotel	229,293,272	0	229,293,272	1.08
4	B W Hotel LLC	Hotel	180,514,730	0	180,514,730	0.85
5	Trea Wilshire Rodeo LLC	Store And Office	169,200,000	0	169,200,000	0.79
6	BH Wilshire Intl. LLC	Department Stores	148,300,000	0	148,300,000	0.70
7	Maple Plaza LP	Office Buildings	140,444,209	777,120	141,221,329	0.66
8	Oasis West Realty LLC	Hotel	138,249,117	0	138,249,117	0.65
9	Brickman Beverly Hills Owner L	Office Building	100,700,000	0	100,700,000	0.47
10	407 N Maple LP	Office Building	89,934,489	0	89,934,489	0.42
	Subtotal, Top 10:		$1,886,458,687	$866,263	$1,887,324,950	8.86
	Total, City-wide:		$20,780,458,100	$515,563,539	$21,296,021,639	100.00%

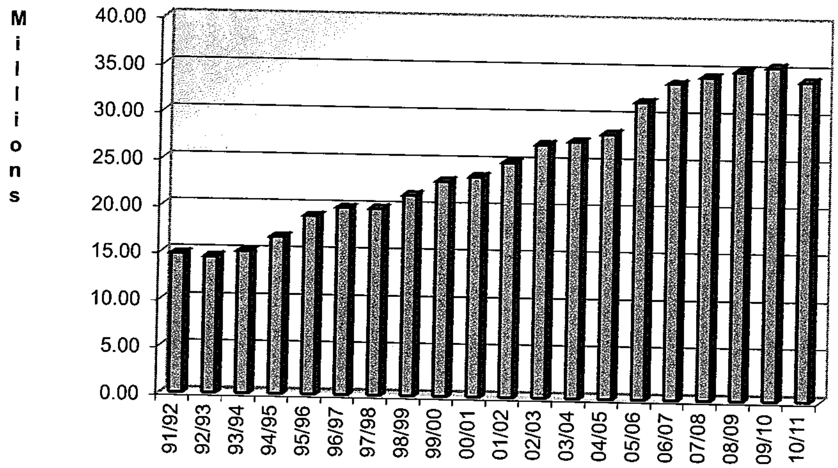
Source 2011-12 County Assessor Data, compiled by Muniservice, LLC.

Business Tax Revenues

Business tax is paid by all local businesses. The tax rate varies depending on the type of business. Most businesses in the City pay Business Tax based on their gross receipts, which is a measure of the amount of business they do in the City. (Corporate offices, professionals and some service businesses pay the tax based on their number of employees.) Business tax, being based on all business activity in the City rather than just retail sales, is much broader based than sales taxes and as such may be a better indicator of overall economic activity in the City.

As the chart illustrates, business taxes have been a barometer of the economic climate in the City, responding rapidly to the changing economic climate. Recognizing that significant portions of business tax revenues are based on gross receipts, we can see how downward trends in the economy impact City revenues. Vacant office and retail space, which reflect revenue from real estate rentals, and a reduction in retail sales negatively impacted business tax revenues. Business Taxes for Fiscal Year 2010-11 ended with a decrease of 4.25% for total revenues of $34.0 million.

Business Tax

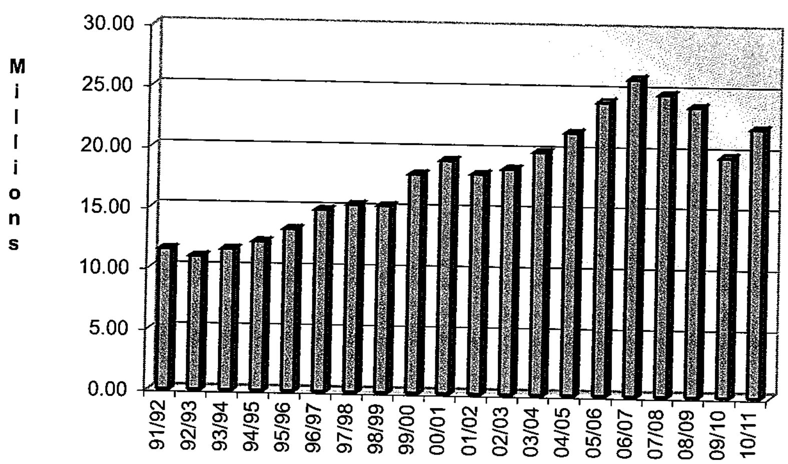


Sales Tax Revenues

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 90's and the terrorist events of September 2001. From Fiscal Year 1991-92 through Fiscal Year 1992-93, sales tax revenue declined at the rate of about 6.3%. In Fiscal Year 1993-94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We finally began seeing a rebound from the 9/11 incident in Fiscal Year 2003-04.

Sales tax revenues ended fiscal year 2010-11 at $22.1 million, a 12.1% increase over fiscal year 2009-10 results.

Sales Tax



The table below shows the largest payers of Sales Tax in the City for Fiscal Year 2010-11.

TABLE 7
LARGEST SALES TAX PAYERS
(Listed Alphabetically)
FISCAL YEAR 2010-11

TAXPAYER	CATEGORY
BARNEY'S OF NEW YORK	Department Store
BEVERLY HILLS PORSCHE	Automotive
CHANEL BOUTIQUE	Apparel & Accessories
DAIMLER CHRYSLER FINANCIAL	Automotive
HERMES OF PARIS	Apparel & Accessories
LEXUS OF BEVERLY HILLS	Automotive
MERCEDES-BENZ OF BEVERLY HILLS	Automotive
NEIMAN MARCUS DEPARTMENT STORE	Department Store
O'GARA COACH COMPANY	Apparel & Accessories
SAKS FIFTH AVENUE	Department Store

Source: City of Beverly Hills.

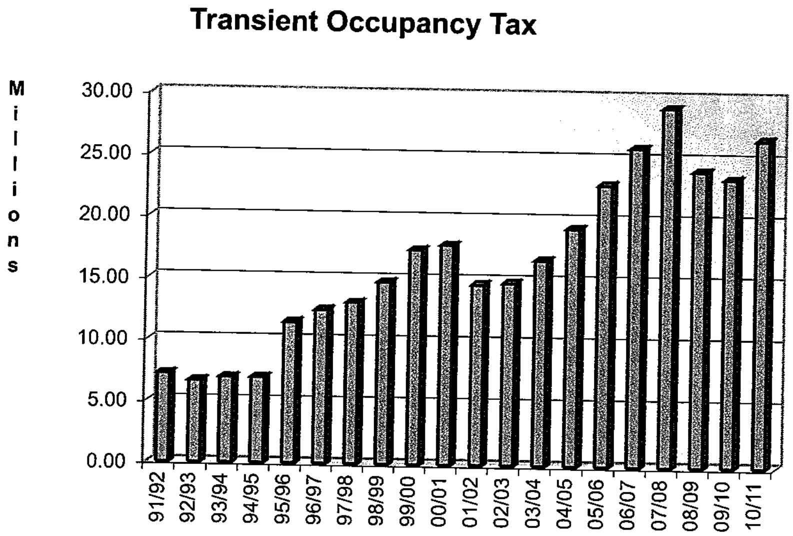
Transient Occupancy Tax Revenues

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 September 11, and grew at record rates through Fiscal Year 2007-08, when they reached $29.1 million.

The variations in the Transient Occupancy Tax 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. From that point until the terrorist activities of September 2001, transient occupancy taxes experienced steady growth. From $17.8 million in revenues in Fiscal Year 2000-01, transient occupancy taxes fell about 18% to $14.6 million in Fiscal Year 2001-02 and rebounded only slightly to $14.8 million in Fiscal Year 2002-03. Revenue for Fiscal Year 2003-04 increased 12.7% to recover some of their prior strength and end the year at about $16.7 million. Fiscal Year 2004-05 and 2005-06 had increases of 15.5% ($2.6 million increase for total revenues of $19.26 million) and 18.58% ($3.6 million increase for total revenues of $22.8 million) respectively, far greater than anticipated and back on track to pre-9/11 growth. Fiscal Year 2007-08 exceeded all records and was far greater than anticipated at

29.1 million (a 12.48% increase). In November 2008 the City's newest five-star hotel, Montage, began operations. As a result of the current economic cycle, Fiscal Year 2008-09 revenue fell 17.53% to $24.0 million and Fiscal Year 2009-10 continued the declining to $23.4 million, 2.5% down. During Fiscal Year 2010-11 transient occupancy tax improved significantly, which is partly due to a non-recurring event, the NBA All-Star Game, that contributed to greatly increase gross receipts in City hotels during the month of February 2011, ending the year up 13.4% at $26.6 million.



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.

However, as described above, State finances generally have little effect on the City's general fund, as approximately 73% of the City's general fund revenue come from property taxes, business taxes, sales taxes and transient occupancy taxes. See "– General Fund" above. Revenues from the State represented only 0.54% of the City's total general fund revenues during Fiscal Year 2010-11.

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."

2011-12 State Budget. Set forth below is a summary of the 2011-12 State Budget and budget process.

Initial LAO Report on Fiscal Year 2011-12; Legislature Called into Special Session on Budget Deficit. In their initial report for Fiscal Year 2011-12, the LAO forecasted that the State's general fund revenues and expenditures would show a budget deficit of $25.4 billion, consisting of a $6.1 billion projected deficit for Fiscal Year 2010-11 and a $19 billion gap between projected revenues and spending for Fiscal Year 2011-12. The LAO projected that the State will continue to face annual budget problems of approximately $20 billion each year through Fiscal Year 2015-16, and recommended that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated. On December 6, 2010, lame-duck Governor Schwarzenegger declared a fiscal emergency and called the new Legislature into special session to address the anticipated 2010-11 general fund deficit.

2011-12 Proposed Budget Submitted by Governor Brown to Legislature. On January 3, 2011, Edmund G. Brown Jr. was sworn in as Governor and warned that his budget plan would include severe cuts to State spending. On January 10, 2011, Governor Brown submitted his 2011-12 Proposed Budget to the Legislature. The 2011-12 Proposed Budget acknowledged a $26.4 billion budget deficit, consisting of an $8.2 billion deficit that would remain at the end of Fiscal Year 2010-11 (absent budgetary action), and an estimated $17.2 billion shortfall between current-law revenues and expenditures in 2011-12, with a proposed reserve of $1 billion. The 2011-12 Proposed Budget relied on a plan to submit to the voters at a special election in June 2011 a 5-year extension of the temporary sales tax, income tax, and vehicle license fee increases and maintaining a lower dependent exemption credit that was set to expire on June 30, 2011. The 2011-12 Proposed Budget also included $8.2 billion in one-time savings and borrowing. Those savings and borrowings included $1.8 billion in borrowing from special funds, $1.7 billion in property tax shifts, shifting $1.0 billion in Proposition 10 reserves to fund children's programs, and $0.9 million from Proposition 63 moneys to fund community mental health services. The Governor proposed to restructure the state-local relationship by shifting funding and responsibility to local government for certain services, resulting in a shift of an aggregate amount of $5.9 billion in State program costs to counties. The Governor also proposed eliminating redevelopment agencies.

The 2011-12 Proposed Budget included expenditure reductions that touched nearly every area of the State budget. Proposed reductions included cuts of $1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services, and

$580 million to state operations and employee compensation. Although the Governor's revenue proposals resulted in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above the current-law level, the 2011-12 Proposed Budget would have resulted in a small funding decline for K- 12 and more significant reductions for community colleges and child care programs.

The Governor called the Legislature to refer the proposed re-instatement of temporary tax increases described above to a statewide special election in June 2011, in an attempt to gain voter approval for the Governor's proposed increases. However, on March 31, 2011, the deadline for initiating such a special election passed without an agreement in the Legislature about whether to put such a re-instatement measure on the ballot.

January 12, 2011 LAO Report. An LAO report dated January 12, 2011 stated that the 2011-12 Proposed Budget estimates were reasonable, and the proposed multiyear and ongoing solutions showed great promise of making substantial improvements to the State's overall budget health. However, the LAO report recognized that the Governor's realignment and redevelopment proposals were extremely ambitious, implicating many legal, financial and policy issues, and that $12 billion of the Governor's proposed solutions were dependent upon voter approval in June 2011.

March 2011 Legislative Action. The Governor's proposed June 2011 special election was not approved. However, the Legislature passed a package of bills resulting in $11 billion in cuts and other solutions, including $5.5 billion in cuts to health and human services, $1.2 billion in cuts to the University of California and California State University systems, $2.2 billion in transportation debt service and other reductions, $531 million in revenue proposals and $2.8 billion in loans and transfers and other solutions.

May 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 (the "May Revision"). On May 16, 2011, Governor Brown issued his proposed May Revision of the State Budget. The May Revision reflected an assumed $6.6 billion in new state revenues over the current and budget years ($3.3 billion each year). In January 2011, the Governor had projected that, absent such solutions, budget gaps averaging more than $20 billion would continue for the next four years. By the time of the 2011-12 May Revision, these projected deficits had been reduced to around $10 billion per year through fiscal year 2014-15, as a result of permanent expenditure reductions enacted in March 2011. The Governor called for the Legislature to adopt $11 billión in new solutions to rebuild a modest reserve. The Governor planned to use almost all of the $6.6 billion in new revenues to reduce the need for some targeted tax extensions and to start paying down the State's $35 billion in debt.

The May Revision proposed that the Legislature act by the end of June 2011 to approve and the voters ratify in November 2011 the extension of current sales tax and vehicle license fee rates and the dependent credit exemption level for five years. If these tax extensions were approved, the budget provides an additional $3 billion to schools in 2011-12. This $3 billion was over and above the 2011-12 $49.4 billion Proposition 98 guarantee and funding level approved by the Legislature in March 2011. It was approximately $1 billion above the $51.3 billion funding level included in the Governor's January budget. However, the Governor proposed that $2.85 billion of the $3 billion go toward eliminating deferrals, not toward increased revenue limit funding. Additional revenues generated by the tax extensions would fund a major realignment of public safety programs.

The Governor proposed that the remaining savings from revenue increases and future revenue growth above current program funding be dedicated to paying off the State's $35 billion in debt. Under the Governor's proposal, at least $29 billion in deferrals and debt would be paid off by Fiscal Year 2014-15. The Governor's May Revision removed the proposed income tax extension and his proposal to eliminate the enterprise tax credit. The Governor continued to push for the elimination of redevelopment agencies.

May 19, 2011 LAO Report. The LAO's May 19, 2011 report on the Governor's May Revision concludes that the Governor's budget estimates in the May Revision were based on reasonable assumptions. However, the LAO notes, school districts, counties and the State faced uncertainty as to funding levels in the fiscal year because the Governor's revenue assumptions rely on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deemed the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions. In 2011, an estimated $6.6 billion improvement in state tax collections, and $13 billion in budgetary solutions already adopted by the Legislature, put the State in the position to dramatically reduce its budget problem in coming years.

Budget Bills Passed by Legislature; Vetoed by Governor. On June 15, 2011, the Legislature, with Democrats representing a majority thereof, passed a series of bills, including two budget bills without Republican support. On June 16, 2011, Governor Brown vetoed both budget bills. A series of trailer bills to the budget bills, including a set of bills that would redirect funds away from or terminate the existence of redevelopment agencies (ABX1 27 and ABX1 26, respectively), were passed by the Legislature and signed by the Governor.

June 28, 2011 Legislative Action. On June 28, 2011, the Legislature passed an $86 billion General Fund State Budget which closed the State's remaining $9.6 billion deficit. The 2011-12 Budget relied on $4 billion of additional revenue, which if not realized, will automatically trigger further cuts to universities, welfare, and schools. The 2011-12 Budget is also premised on $2.8 billion in deferrals to K-12 schools and community colleges and $1.7 billion in a controversial plan to direct funds away from redevelopment agencies pursuant to ABX1 27. The University of California and California State University funding allocations have been cut by $150 million each, and state courts also faced significant cuts. $650 million in new revenues was anticipated to come from enforcement of sales taxes collected by online merchants, rural fire fees, and a $12 car registration fee increase. Governor Brown signed the budget on June 30, 2011.

The complete 2011-12 State Budget is available from the California Department of Finance website at www.dof.ca.gov. *The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.*

Changes in 2011-12 State Budget; Trigger Cuts; Redevelopment. As noted above, on May 16, 2011, at the time the Governor issued the May revision of his proposed 2011-12 budget, the Governor asked the State Legislature to act by the end of June 2011 and the voters to ratify in November 2011 the extension of then-current sales tax and vehicle license fee rates and the dependent credit tax exemption level for the following five years. These tax extensions were neither submitted to the voters nor approved. On December 13, 2011, Governor Brown announced that the State will cut nearly $1 billion from the 2011-12 Budget, as triggered by a $2.2 billion shortfall in projected revenue. The mid-year cuts are to be made in education, school busing, child care, health programs, public safety and library programs. The California State University and University of California systems, In-Home Supportive Services and the Department of Developmental Services each will see their budgets slashed by $100 million.

Also as also noted above, the 2011-12 State Budget included a set of bills that provided for $1.7 billion in additional payments from communities with redevelopment agencies to fund school expenditures (ABX1 27), that restricted redevelopment agency actions to create new debt (ABX1 26), and that then will dissolve them (ABX1 26). Under the legislation, communities had until October 2011 to opt into the payments under ABX1 27, or the redevelopment agencies became subject to the dissolution provisions of ABX1 26. On July 18, 2011, California Redevelopment Assoc. v. Matosantos was filed in the first instance in the California Supreme Court. In this action, the California Redevelopment Association ("CRA") requested the Court to nullify ABX1 26 and ABX1 27 (principally on the grounds that the bills violate Proposition 22 of the State Constitution) and to stay the effectiveness of the two bills. On December 29, 2011, the Supreme Court issued its decision in this case, ruling that ABX1 26 was constitutional and ABX1 27 was not. Redevelopment agencies were formally dissolved on February 1, 2012.

The execution of 2011-12 State Budget may be affected by national and State economic conditions and other factors, possibly causing the revenue projections made in the 2011-12 State Budget to fall short. The City cannot predict the impact that the 2011-12 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the State's Fiscal Year 2011-12 State Budget.

2012-13 State Budget. Set forth below is a summary of the 2012-13 State Budget and budget process.

Initial LAO Report on Fiscal Year 2012-13. In their initial report for Fiscal Year 2012-13, the LAO forecasted that the State's general fund revenues and expenditures would show a budget deficit of $12.8 billion, consisting of a $3 billion projected deficit for Fiscal Year 2011-12 and a $9.8 billion gap between projected revenues and spending for Fiscal Year 2012-13. A significant decrease in the State general fund budget deficit from the prior year was calculated assuming that $2 billion of trigger cuts to various state programs contained in the provision of the 2011-12 budget will be implemented and maintained through the forecast period. The LAO projected that the State will continue to face annual operating shortfalls of between $8 billion and $9 billion per year in 2013-14 and 2014-15, and then such shortfalls will decline gradually to about $5 billion in 2016-17. The LAO noted that the remaining work of eliminating the State's persistent, annual deficit will require more difficult cuts in expenditures and/or increases in revenues, and it recommended that the Legislature and the Governor (i) strive to eliminate the State's ongoing annual budget deficit this year or over the course of the next few years (ii) then focus efforts upon the serious long-term fiscal issues of the State's accumulated budgetary obligations and unfunded retirement liabilities.

2012-13 Proposed Budget Submitted by Governor Brown to Legislature. On January 5, 2012, Governor Brown submitted his 2012-13 Proposed Budget to the Legislature. The 2012-13 Proposed Budget acknowledged a $9.2 billion budget deficit, consisting of an $4.1 billion deficit that would remain at the end of Fiscal Year 2012-13 (absent budgetary action), and a $5.1 billion shortfall between current-law revenues and expenditures in 2012-13, with a proposed reserve of $1.1 billion. The 2012-13 Proposed Budget relies on a plan to submit to the voters at a regular election in November 2012 a $6.9 billion tax increase, including a higher rate for personal income over $250,000 and a half-cent sales tax hike. If the voters do not approve such revenue-raising measures, the 2012-13 Proposed Budget specifies $5.4 billion in additional trigger cuts affecting funding for each of: schools and community colleges ($4.8 billion cut, likely eliminating three weeks of instruction from the school year), the University of California and California State University ($200 million cut), State courts ($125 million cut, equivalent to court closures of three days per month), Parks and Recreation and Fish and Game (number of safety officers and lifeguards decreased), Forestry and Fire Prevention (substantial reduction in firefighting capability and emergency air response program, closure of fire stations), Department of Water (flood control programs cut) and Department of Justice (law enforcement programs reduced).

The 2012-13 Proposed Budget includes additional expense reducing measures as follows: Changes to CalWORKs and subsidized child care to, among other things, reduce assistance to families not meeting work requirements. ($1.4 billion reduction), merging service delivery for those who are eligible for both Medi-Cal and Medicare ($842 million reduction), eliminating In-Home Supportive Services in shared living arrangements. ($164 million reduction), eliminating supplemental funding for schools associated with the elimination of the sales tax on gasoline ($544 million reduction), reducing grants for students of private institutions ($302 million reduction), suspending state mandates on local governments ($828 million reduction) and expanding the alternative custody program for female prison inmates (millions of dollars reduced in future years). The 2012-13 also includes continuation of the use of weight fees to offset future State general fund costs connected with transportation expenses ($350 million savings) and a one-time shift of monies from the State's Unemployment Compensation Disability Fund to pay the federal government for interest costs on the State's outstanding Unemployment Insurance loan.

Additionally, concurrently with the 2012-13 Proposed Budget, the Governor has proposed a constitutional amendment, to be submitted to the voters at the November 2012 general election, to secure funding for local governments so they can provide public services recently shifted to them under the State's "realignment" plan. Voter approval of such an amendment might give the State less budget flexibility, but could also strengthen local support for current and additional realignment.

January 11, 2012 LAO Report. An LAO report dated January 11, 2011 stated that the 2012-13 Proposed Budget were reasonable, and either of (i) the proposed multiyear tax increases and significant reductions in social services and subsidized child care programs or (ii) larger cuts, aimed largely at schools, move the State budget much closer to balance over the next several years. However, the LAO noted that its revenue estimates—including estimates of state revenue gains from the Governor's proposed tax raising initiatives—are lower than the Governor's and that if LAO estimates are correct, the Legislature will have to pursue billions of dollars more in budget-balancing solutions. The LAO was supportive of major restructuring of the school finance system, community college categorical funding, and education mandates, but suggested that alternatives to reforms in the CalWORKs program should be considered. The LAO further encouraged caution in setting the size of the trigger cuts; determining the specific education reductions to impose; and designing tools to help schools, community colleges, and universities respond to the trigger cuts.

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 $10 million, 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 $10 million, 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 10% 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 September 2011 is set forth below.

TABLE 8
INVESTMENT PORTFOLIO
As of September 2011

Type of Investment	Par Value	Percent of Total	Market Value
Local Agency	$25,873,318	9.18%	$25,873,318
Money Market	96,787,701	34.33	96,787,701
Certificates of Deposit	0	0.00	0
Corporate	45,200,000	16.03	47,416,423
CSCDAR	10,000,000	3.55	10,679,000
Federal Farm Credit Bank	26,550,000	9.42	26,703,132
Federal Home Loan Banks	0	0.00	0
Fannie Mae	27,500,000	9.75	27,838,525
Freddie Mac	50,000,000	17.74	50,037,900
Total Portfolio	$281,911,019	100.00%	$285,335,998

Source: City of Beverly Hills.

Long-Term General Fund Obligations

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 (including financing leases) payable from the City's general fund.

TABLE 9
LONG-TERM DEBT AND LEASE OBLIGATIONS
PAYABLE FROM GENERAL FUND
As of June 30, 2011

Description of Issue	Principal Outstanding [1]	Final Maturity
Lease Revenue Bonds, 2003 Refunding Series A	$38,185,000	June 1, 2015
2007 Lease Revenue Bonds [2]	80,025,000	June 1, 2037
2008 Construction Loan [3]	31,336,441	N/A
2009 Lease Revenue Bonds	54,400,000	June 1, 2021
2010 Lease Revenue Bonds		June 1, 2025

[1] Represents only outstanding principal, and excludes amortization of initial issue premium and deferred amounts on refundings.

[2] To be defeased and refunded with a portion of the proceeds of the Series A Bonds. See "FINANCING PLAN."

[3] On January 26th, 2009 the Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of $32,000,000 for the construction of a 72,460 square-foot four-story office building at 331 N. Foothill Road in the City. The line of credit was drawn down through December of 2010, when the City converted the line of credit into a long-term obligation with a term of 15 years and an interest rate of 5.72%. Interest and principal are payable in the amount of $265,217 per month. As of June 30, 2011, the amount borrowed against the line of credit is

$32,000,000. Further, as of June 30, 2011, the balance of the note payable was $31,336,441. 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 February 1, 2012.

TABLE 10
CITY OF BEVERLY HILLS
DIRECT AND OVERLAPPING BONDED DEBT

2011-12 Assessed Valuation: $21,327,093,846		
OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/12
Los Angeles County Flood Control District	2.306 %	$ 1,240,513
Metropolitan Water District	1.203	2,710,780
Los Angeles Community College District	4.066	142,509,641
Beverly Hills Unified School District	99.786	179,813,913
Los Angeles Unified School District	0.024	2,707,853
City of Beverly Hills Community Facilities District No. 2002-A	100.	14,040,000
Los Angeles County Regional Park and Open Space Assessment District	2.298	3,923,261
Mountains Recreation and Conservation Authority Assessment District, I.A. No. 1	0.0008	96
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$346,946,057
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	2.298%	$ 34,481,155
Los Angeles County Superintendent of Schools Certificates of Participation	2.298	258,977
County Sanitation District No. 4 Authority	2.668	78,549
Los Angeles Unified School District Certificates of Participation	0.024	111,466
City of Beverly Hills General Fund Obligations	**100.** (1)	**242,720,000**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$277,650,147
Less:Los Angeles County obligations supported by landfill revenues		409,170
Los Angeles Unified School District QZABs supported by investment fund		7,909
City of Beverly Hills obligations supported by enterprise funds		**89,669,096**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$187,563,972
GROSS COMBINED TOTAL DEBT		$624,596,204
NET COMBINED TOTAL DEBT	(2)	$534,510,029

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Gross Combined Direct Debt ($242,720,000)	1.14%
Net Combined Direct Debt ($157,491,920)	0.72%
Total Overlapping Tax and Assessment Debt	1.63%
Gross Combined Total Debt	2.93%
Net Combined Total Debt	2.51%

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 2006-07 THROUGH 2011-12

Fiscal Year	Permanent Full Time	Seasonal and Part Time
2006-07	616	224
2007-08	691	252
2008-09	772	396
2009-10	728	402
2010-11 [1]	704	160
2011-12	681	181

[1] The reduction in seasonal and part-time employees from 2009-10 to 2010-11 is due to a change in the presentation from total number of workers to full-time equivalents.

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.

The bargaining units below have Memoranda of Understanding (MOU) in effect with the following expiration dates:

Bargaining Group	**Expiration Date**
Management & Professional Employees Association	October 5, 2013
Municipal Employees Association	October 5, 2013
Municipal Employees Association – Part Time Unit	Currently Being Negotiated
Beverly Hills Firemen's Association	Currently Being Negotiated
Safety Support Association	October 4, 2013
Police Officers' Association	Currently Being Negotiated
Police Management Association	Currently Being Negotiated
Supervisors	October 5, 2013

The City has completed negotiations with all bargaining groups for new 5 year agreements. A group of supervisory level employees within the Municipal Employees Association has voted to start a new bargaining unit. This group has received recognition by the City and as of this date has been certified, further negotiations with this group have been completed and the agreement will be taken to the City Council for approval and then ratification by the Supervisors group.

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 (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, 2011 was 25.545% for safety members and 10.459% 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, 2011, the City's actual contributions were $7,043,585 for the safety employees and $4,086,306 for miscellaneous employees. The City also contributed $2,503,655 on behalf of the safety employees and $2,997,107 on behalf of miscellaneous employees. Miscellaneous part-time employees directly contributed $303,802. Total contributions were $16,934,456.

The required contribution for the year ended June 30, 2011, was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included the following:

(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 6% 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, 2008 (for 2010-11 employer rates), the average remaining amortization periods were 13 and 32 years for miscellaneous and safety members, respectively. A schedule of funding progress is shown in APPENDIX B.

Three-Year Trend Information for the Plan

	2011	2010	2009
Annual Required Contribution (ARC)	11,228,842	10,759,326	9,971,684
Miscellaneous Pension Plan Portion	4,122,636	3,921,030	3,829,290
Safety Pension Plan Portion	7,106,207	6,838,296	6,142,394
Interest on Net Pension Asset	945,323	1,047,925	1,077,854
Adjustment to the ARC	1,403,375	1,503,300	1,499,372
Annual Pension Cost (APC)	11,686,894	11,214,701	10,393,201
Percentage of APC contributed for:			
Miscellaneous Pension Plan	95%	88%	96%
Safety Pension Plan	95%	88%	96%
Change in Net Pension Asset	557,002	1,323,899	386,179
Net Pension Asset Balance	11,640,716	12,197,721	13,521,617
Miscellaneous Pension Plan Portion	4,273,854	4,445,227	5,192,523
Safety Pension Plan Portion	7,366,862	7,752,494	8,329,094

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, 2010 (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	$328,083,687	$59,752,112
Miscellaneous Members	$240,673,069	$30,910,826

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.

Post Employment Health Care Benefits

General. 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. Benefit provisions are stated in the bargaining unit Memorandums of Understanding (MOUs) and may be amended during negotiations, subject to City Council approval.

The City is currently enrolled in various health care plans administered by the California Public Employees Retirement System (PERS). The City, as a single employer of this defined benefit plan, pays retirees' PERS health care premiums to the limits as stipulated in the compensation plans, as set forth in more detail in APPENDIX B.

The City's 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.

Alternative Retiree Medical Program. During Fiscal Year 2010-11, the City provided an offer for full-time employees hired before January 1, 2010 (except sworn employees and members of the Supervisors Association) to participate in the Alternative Retiree Medical Program ("ARMP"). Employees who did not accept the offer kept their current retiree medical benefits under their applicable collective bargaining agreement or compensation plan. Employees who choose to accept the ARMP received an actuarially determined "Transition Amount" and a monthly "Residual Amount" (if applicable). Employees who chose this new retiree medical program, in effect, opted-out of their current retiree medical program.

Employees who elected to participate in ARMP received a one-time lump sum transition amount (referred to as the "Transition Amount"). The Transition Amount is an actuarially determined value of current retiree medical coverage based on each employee's current compensation plan or bargaining unit and her/his total years of service with the City and other actuarial factors.

As a mandatory aspect of ARMP, 20% of the Transition Amount was placed in an ICMA-RC VantageCare Retirement Health Savings Plan account (referred to as an "RHS account") on the employee's behalf. Amounts in this RHS account can be used to pay for eligible medical expenses for the employee and eligible dependents after leaving employment with the City.

Employees who were not already eligible for full retiree medical coverage at the time the ARMP was offered also received an actuarially determined monthly contribution to their RHS account while employed by the City, subject to the terms of their applicable collective bargaining agreement or compensation plan. Contributions into the RHS account are made until the amount of the one-time Transition Amount and the monthly contributions equal the actuarially calculated value of full retiree medical coverage under the particular bargaining agreement or compensation plan the employee would have received if she/he had worked with the City until eligible to retire. These additional monthly amounts are referred to as the employee's "Residual Amount."

The City applies the remainder of the one-time Transition Amount in the following three options.

Option 1: Receive as cash (the cash payment is referred to as the "ARMP Tenure Benefit") in the following year.

Option 2: Distribute among deferred compensation plans (the 457(b), 401(k), and 415(m) plans).

Option 3: Receive a portion as a cash ARMP Tenure Benefit in the following year and the balance deposited in deferred compensation plans.

During Fiscal Year 2009-10, the employees' contractual agreements to participate in the ARMP program resulted in reducing the City's OPEB liability by a total of $6,420,416. In accordance with the program, the employees who elected Option 1 or 3 received a cash payout in February of 2011. Employees who elected Option 2 or 3 received a distribution to their deferred compensation plan account. The total of Transition amounts elected before June 30, 2010 and paid in fiscal year 2010-11, under these options computed to $4,795,522. The portion of the Transition amounts that were distributed to the RHS and deferred compensation accounts as of June 30, 2010 was $1,624,894. During fiscal year 2010-11, for participants who elected to join the program after June 30, 2010, the total of Transition amounts paid and/or transferred to the RHS and deferred compensation accounts was $10,761,180. Therefore, the total benefits paid for the whole length of the ARMP program was $17,181,597. Ongoing payments to beneficiaries during Fiscal Year 2010-11 were $2,056,729. Thus the total OPEB contributions and consequent decrease in OPEB liability for Fiscal Year 2010-11 was $12,817,909.

The City currently intends to use the proceeds of the Taxable Series B Bonds to pre-fund an additional component of the ARMP program. See "FINANCING PLAN – Taxable Series B Bonds."

Trend Information and Actuarial Liability Estimate. Please refer to the following table for trend information on the components of annual OPEB cost, net OPEB obligation, as well as information on contributions made. Governmental Accounting Standards Board (GASB) Statement, No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension, was implemented as a new pronouncement starting with Fiscal Year 2007-08.

Fiscal Year Ended June 30:		2011	2010	2009
Annual Required Contribution (ARC)	$	4,095,000	4,873,000	4,205,000
Interest on the Net OPEB Obligation		337,000	264,000	129,000
ARC Adjustment		(316,000)	(237,000)	(114,000)
Annual OPEB Cost		4,116,000	4,900,000	4,220,000
OPEB contributions made		(12,817,909)	(8,236,755)	(1,526,328)
Increase (decrease) of Net OPEB Obligation		(8,701,909)	(3,336,755)	2,693,672
Net OPEB Obligation at beginning of year		1,783,435	5,120,190	2,426,518
Net OPEB Obligation (asset) at end of year		(6,918,474)	1,783,435	5,120,190
Percentage of annual OPEB cost contributed		311.42%	168.10%	36.17%

The City has set aside a total amount of $24,355,646. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB 45, the funding status of the actuarial liability is 0%. However, including the money that has been set aside in the Employee Benefits Fund, the funding status is 48%.

The actuarial accrued OPEB liability as of June 30, 2011, is $52,688,000. The total unfunded actuarial liability is $52,688,000. There are no assets under an actuarial valuation since the City is on a pay-as-you-go basis. The actuarial valuation date is July 1, 2011. The City's annual covered payroll is estimated to be $71,261,000 for Fiscal Year 2010-11. The ratio of the unfunded actuarial liability to annual covered payroll is 73.9%. A schedule of funding progress is set forth in APPENDIX B.

For a description of the assumptions used in arriving at the above estimates, see APPENDIX B.

The City currently provides these benefits to an average of 296 participants for the year ended June 30, 2011. 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 $101 per month from July 1, 2009, through December 31, 2009. From January 1, 2010, through June 30, 2010, the City contributed $105. From January 1, 2011, through June 30, 2011, the City contributed $108. The City currently provides this benefit to 88 participants at a cost of $112,464 for the year ended June 30, 2011. Since the City administers the OPEB plan by paying a portion of the benefits, a stand-alone financial report of the OPEB plan is not produced and all relevant disclosures are included in this section.

In addition to the defined benefit plan described above, on January 1, 2010, the City has implemented and will be administering a defined contribution plan which provides postretirement health care benefits in accordance with employees' respective compensation plans.

The provisions of the defined contribution plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action. Contribution provisions are stated in the bargaining unit Memorandums of Understanding (MOUs) and may be amended during negotiations, subject to City Council approval.

There is no contribution rate for plan members. Employees hired by the City into the unit on or after January 1, 2010, who retire from the City will receive the PERS statutory minimum paid by the City. In addition, for employees hired into the unit as new employees of the City on or after January 1, 2010, in lieu of additional retiree medical insurance benefits, the City will, while the employees are working for the City, contribute to a retirement account on behalf of such employees the sum of the following amounts as stipulated in the compensation plans:

• Technical Service employees:	$150 per month
• Safety Support Association employees:	$250 per month
• Executive employees	$1,375 per month
• Management and Professional employees:	$300 per month
• Confidential employees:	$150 per month
• Supervisors:	$150 per month

For employees hired after January 1, 2010, the City has contributed a total of $9,969 as of June 30, 2011.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 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 two percent 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.

All taxable property is 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 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to

Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the City's General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay debt service on the 2012 Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City's General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2012 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2012 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2012 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2012 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 XIIIC and Article XIIID 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 2012 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.

If a default occurs, 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 2012 Bonds or pay debt service on the 2012 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 2012 Bonds as and when due. See "SECURITY FOR THE 2012 BONDS – Abatement" and "APPENDIX A – Summary Of Principal Legal Documents."

Although the City is required under the Property Lease to maintain property and liability insurance with respect to the Site and Facilities, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2012 BONDS – Property Insurance."

In addition, the Authority is required to use the proceeds of rental interruption insurance maintained under the Property Lease to make debt service payments on the 2012 Bonds during any period of abatement. See "SECURITY FOR THE 2012 BONDS – Property Insurance." However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2012 Bonds when due.

The Indenture does not require the Authority to establish a debt reserve fund for the 2012 Bonds; accordingly, other than the proceeds of rental interruption insurance as described above, there is no reserve for the payment of Lease Payments or debt service on the 2012 Bonds in the event of abatement.

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 2012 Bonds when due.

Reduction in Inflationary Rate. Article XIIIA 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 XIIIA 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 XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

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 XIIIA 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 XIIIA.

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 2012 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 2012 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 2012 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 Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series A 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 Series A 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 2012 Bonds or, if a secondary market exists, that any 2012 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.

TAX MATTERS

Series A Bonds

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 Series A 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, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Series A Bonds. The Authority 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 Series A Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series A 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 a Series A 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 and original issue premium is disregarded.

Under the Tax 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 Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series A Bonds who purchase the Series A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A 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 Series A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series A Bond (said term being the shorter of the Series A 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 Series A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series A Bond is amortized each year over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series A Bond premium is not deductible for federal income tax purposes. Owners of premium Series A 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 Series A Bonds.

In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from California personal income taxes.

Owners of the Series A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series A 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 Series A Bonds other than as expressly described above.

Taxable Series B Bonds

General. The interest on the Taxable Series B Bonds is not intended by the Issuer to be excluded from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the Taxable Series B Bonds is exempt from California personal income taxes.

Owners of the Taxable Series B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Taxable Series B 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 Taxable Series B Bonds other than as expressly described above.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Taxable Series B Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Taxable Series B Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Series A Bonds and the Taxable Series B Bonds, the forms of which are 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 ("**Moody's**") has assigned its municipal bond rating of "___" to the 2012 Bonds, Fitch Ratings ("**Fitch**") has assigned its municipal bond rating of "____" to the 2012 Bonds, and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "____" to the 2012 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. Any such downward revision or withdrawal of any rating on the 2012 Bonds may have an adverse effect on the market price or marketability of the 2012 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2012 Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") and to provide notices of the occurrence of certain listed events.

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 listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has never failed to comply, in all material respects, with its previous continuing disclosure undertakings under the Rule to provide annual continuing disclosure reports or notices of listed events in the past five years.

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 2012 Bonds at the following purchase prices:

The purchase price for the Series A Bonds is $_______________ (which is equal to the par amount of the Series A Bonds, less an Underwriter's discount of $____________, and less a net original issue discount of $____________).

The purchase price for the Taxable Series B Bonds is $_______________ (which is equal to the par amount of the Taxable Series B 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 2012 Bonds if any are taken. The Underwriter intends to offer the 2012 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 2012 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2012 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, Inc., Certified Public Accountants, Denver, Colorado (the "**Verification Agent**") upon delivery of the 2012 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to (1) the sufficiency of the anticipated receipts from [the Federal Securities and[[uninvested moneys] deposited with the Escrow Agent to pay, when due, the principal, interest and prepayment premium requirements of the 2007 Bonds, and (2) the yield on the 2012 Bonds and on the Federal Securities to be deposited with the Escrow Agent.

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, 2011

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

$____________	**$____________**
CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY	**CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY**
2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project)	**2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program)**

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 April 1, 2012 (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 Urban Futures Incorporated, 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 dated ____________, 2012, 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, 2013, with the report for the 2011-12 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 5, Assessed and Estimated Actual Value of Taxable Property

(v) TABLE 6, Principal Property Taxpayers

(vi) CITY FINANCIAL INFORMATION – Business Tax Revenues

(vii) CITY FINANCIAL INFORMATION – Sales Tax Revenues

(viii) TABLE 7, 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 Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

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.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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 Urban Futures Incorporated. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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 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 any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

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 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 shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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	Urban Futures Incorporated 3111 N. Tustin Avenue, Suite 230 Orange, CA 92865 Fax: (714) 283-5465

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 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: _______________, 2012

CITY OF BEVERLY HILLS

By: ______________________________
Scott G. Miller, PhD,
Director of Administrative Services

and Chief Financial Officer

AGREED AND ACCEPTED:
Urban Futures Incorporated,
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 2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project) City of Beverly Hills Public Financing Authority 2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program)
Date of Issuance:	_______________, 2012

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 April 1, 2012, 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.

General Information

The City. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. Located approximately 10 miles west of the Los Angeles City Hall, the City occupies a land area of approximately 5.7 square miles and serves a residential population of 36,224. The City estimates that services are provided to 100,000 to 150,000 persons during the day. The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk.

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two blended component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's various departments and offices. The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire), street construction and maintenance, sanitation, refuse collection, water and sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

Approximately 90% of the City is zoned for residential use. In 2000, approximately 62% of the total dwelling units were apartments and condominiums, and 37% were single family houses. City records indicate that approximately 82% of the multi-family units are apartments and 18% are condominiums.

The County. Located along the southern coast of California, Los Angeles County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The county includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties. Almost half of the county is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi-dry plateau, the beginning of the vast Mojave Desert.

Population

The following table shows population estimates for the City, the County and the State of California for the past five years as of January 1.

CITY OF BEVERLY HILLS, LOS ANGELES COUNTY
Population Estimates

Area	2007	2008	2009	2010	2011
City of Beverly Hills	34,210	34,028	34,084	34,136	34,210
Los Angeles County	9,780,808	9,785,474	9,801,096	9,822,121	9,858,989
State of California	36,399,676	36,704,375	36,966,713	37,223,900	37,510,766

Source: State of California, Department of Finance.

Industry

The table below lists employment by industry group for Los Angeles County for the years 2006 through 2010.

LOS ANGELES COUNTY
Annual Average Labor Force
Employment by Industry Group

	2006	2007	2008	2009	2010
Civilian Labor Force	4,808,600	4,874,600	4,930,900	4,900,100	4,879,500
Employment	4,578,700	4,626,900	4,563,200	4,336,600	4,262,300
Unemployment	229,900	247,600	367,600	563,500	617,200
Unemployment Rate	4.8%	5.1%	7.5%	11.5%	12.6%
Wage and Salary Employment: (1)					
Agriculture	7,600	7,500	6,900	6,200	6,400
Natural Resources and Mining	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,200	117,300	104,300
Manufacturing	461,700	449,200	434,500	389,200	374,200
Wholesale Trade	225,700	227,000	223,700	204,500	202,900
Retail Trade	423,300	426,000	416,500	387,000	385,200
Trans., Warehousing, Utilities	165,200	165,600	163,100	151,200	150,300
Information	205,600	209,800	210,300	191,200	192,400
Financial and Insurance	166,900	163,600	153,900	142,300	137,800
Real Estate, Rental & Leasing	79,800	80,300	79,400	73,800	71,400
Professional and Business Services	598,900	605,400	582,600	529,800	526,100
Educational and Health Services	480,800	492,700	505,800	514,600	522,700
Leisure and Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Federal Government	52,300	51,100	51,100	48,700	50,800
State Government	79,500	81,000	82,400	82,000	80,500
Local Government	457,600	463,700	470,300	465,200	445,400
Total All Industries (2)	4,100,100	4,129,600	4,077,600	3,830,300	3,775,300

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.
Source: State of California Employment Development Department.

The table below lists the larger employers in the Los Angeles County area. Major private employers in the Los Angeles area include those in aerospace, health care, entertainment, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State of California and Los Angeles County.

LOS ANGELES COUNTY
Major Employers- Listed Alphabetically
2012

Employer Name	Location	Industry
All Nations Church	Lake View Terrace	Churches
American Honda Motor Co Inc	Torrance	Automobile & Truck Brokers (Whls)
Calif Institute of Technology	Pasadena	Schools-Universities & Colleges Academic
California State-Northridge	Northridge	Schools-Universities & Colleges Academic
CBS Television City	Los Angeles	Television Stations & Broadcasting Co
Cedars-Sinai Medical Ctr	West Hollywood	Hospitals
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Columbia Tri Star Motion	Culver City	Video Tapes & Discs-Renting & Leasing
Dispensary	Pasadena	Physicians & Surgeons
Long Beach Memorial Med Ctr	Long Beach	Hospitals
Los Angeles County Sheriff	Monterey Park	Sheriff
Los Angeles Police Dept	Los Angeles	Police Departments
Martin Luther King JR-MACC	Los Angeles	Surgical Centers
Nestle USA	Glendale	Food Products & Manufacturers
Providence Health-San Fernando	Burbank	Health Services
Providence Health-Southern Ca	Burbank	Health Services
Santa Monica College	Santa Monica	Schools
Six Flags Magic Mountain Inc	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Film-Distrs & Exchs
Torrance Memorial Medical Ctr	Torrance	Hospitals
UCLA	Los Angeles	Schools-Universities & Colleges Academic
UCLA Health System	Los Angeles	Schools-Universities & Colleges Academic
Walt Disney Co	Burbank	Motion Picture Producers & Studios
Woodlands Hills Medical Ctr	Woodland Hills	Hospitals
Worldwide Corporate Housing	Los Angeles	Building Contractors

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2012 1st Edition.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and 2010 is not comparable to that of prior years.

During the first three quarters of calendar year 2010, the total taxable transactions in the City were $1,402,603,000, representing a 4.51% increase from the total taxable transactions of $1,342,121,000 that were reported in the City during the first three quarters of calendar year 2009. A summary of historic taxable sales within the City during the past five years for which information is available is shown in the following table. Annual figures are not yet available for 2010.

CITY OF BEVERLY HILLS
Taxable Transactions
(dollars in thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2005	1,402	1,616,585	2,708	2,095,215
2006	1,457	1,701,027	2,734	2,237,643
2007	1,457	1,836,074	2,787	2,408,515
2008	1,503	1,747,111	2,806	2,234,070
2009 (1)	1,661	1,501,527	2,540	1,846,861

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State of California, Board of Equalization.

During the first three quarters of calendar year 2010, total taxable transactions in the County were reported to be $85,544,504,000, a 2.74% increase over the total taxable transactions of $83,259,517,000 that were reported in the County during the first three quarters of calendar year 2009. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2010.

LOS ANGELES COUNTY
Taxable Transactions
(Dollars in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2005	139,641	92,271,155	298,083	130,722,373
2006	142,512	95,554,193	295,701	136,162,552
2007	142,380	96,095,711	290,344	137,820,418
2008	146,999	89,810,309	289,802	131,881,744
2009 (1)				

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State of California, Board of Equalization.

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2006 through 2010.

CITY OF BEVERLY HILLS
Building Permit Valuations
(dollars in thousands)

Permit Valuation	2006	2007	2008	2009	2010
New Single-family	$ 49,643.0	$36,824.0	$39,604.8	$26,715.0	$52,804.2
New Multi-family	2,440.0	18,400.0	6,070.0	17,100.0	0.0
Res. Alterations/Additions	37,290.2	62,344.5	32,794.2	15,956.3	28,674.1
Total Residential	89,373.2	117,568.5	78,469.0	59,771.3	81,478.3
New Commercial	31,500.0	25,180.0	37,500.0	0.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	16,649.8	19,034.6	14,969.0	11,762.3	5,830.4
Com. Alterations/Additions	56,991.9	44,745.1	54,715.4	26,228.6	27,456.5
Total Nonresidential	105,141.7	88,959.7	107,184.4	37,990.9	33,286.9
New Dwelling Units					
Single Family	26	32	22	15	28
Multiple Family	36	58	7	25	0
TOTAL	62	90	29	40	28

Source: Construction Industry Research Board, *Building Permit Summary*

LOS ANGELES COUNTY
Building Permit Valuations
(dollars in thousands)

Permit Valuation	2006	2007	2008	2009	2010
New Single-family	$2,560,588.5	$2,047,773.3	$1,134,121.1	$798,305.0	$922,092.0
New Multi-family	2,205,262.8	2,010,560.8	1,409,062.3	521,793.7	810,621.4
Res. Alterations/Additions	1,981,614.8	1,898,228.2	1,411,332.6	1,073,157.9	1,109,768.6
Total Residential(1)	6,747,466.2	5,956,562.3	3,954,515.9	2,393,256.6	2,842,482.0
New Commercial	1,251,955.0	1,858,923.4	1,517,965.4	513,381.3	521,995.6
New Industrial	181,821.1	108,827.3	134,587.0	40,084.0	55,772.9
New Other	767,924.9	766,205.8	680,228.1	462,139.0	436,807.8
Com. Alterations/Additions	1,693,835.1	2,005,199.0	2,157,857.2	1,657,939.6	1,662,362.9
Total Nonresidential(1)	3,895,536.1	4,739,155.4	4,490,637.8	2,673,543.9	2,676,939.1
New Dwelling Units					
Single Family	10,097	7,509	3,539	2,131	2,439
Multiple Family	16,251	12,854	10,165	3,522	5,029
TOTAL	26,348	20,363	13,704	5,653	7,468

(1) Totals may not add due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City of Beverly Hills, the County of Los Angeles, the State and the United States for the period 2006 through 2010.

LOS ANGELES COUNTY
Effective Buying Income
2006 through 2010

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2006	City of Beverly Hills	$ 1,953,665	$66,491
	Los Angeles County	190,915,435	41,683
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Beverly Hills	$ 2,056,055	$70,940
	Los Angeles County	202,646,560	43,710
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Beverly Hills	$ 2,054,953	$71,685
	Los Angeles County	206,127,855	44,653
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Beverly Hills	$ 1,852,798	$73,626
	Los Angeles County	207,077,609	45,390
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Beverly Hills	$ 1,801,875	$67,623
	Los Angeles County	196,757,991	43,133
	California	801,393,028	47,177
	United States	6,365,020,076	41,368

Source: The Nielsen Company (US), Inc.

APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL

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 "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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 this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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, 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Security 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.

PRELIMINARY OFFICIAL STATEMENT DATED ________________, 2012

NEW ISSUE - FULL BOOK-ENTRY

RATINGS: Standard & Poor's: "____"
Moody'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 2012 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. 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
2012 Water Revenue Refunding Bonds, Second Series A

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

Authority for Issuance. The bonds captioned above (the "2012 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 ____________________, 2012, and an Indenture of Trust dated as of April 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee for the 2012 Bonds (the "Trustee"). Under this authority, the 2012 Bonds may be issued in a principal amount not to exceed $______________. See "THE 2012 BONDS – Authority for Issuance."

Use of Proceeds. The 2012 Bonds are being issued to provide funds to (i) refund on a current basis an outstanding issue of the Authority's bonds captioned "City of Beverly Hills Public Financing Authority, 2007 Water Revenue Bonds" (the "2007 Bonds"), (ii) prepay certain obligations of the Water Enterprise in order to contribute funds toward the refunding of an outstanding lease revenue bond issue of the Authority, and (iii) pay the costs of issuing the 2012 Bonds. See "FINANCING PLAN."

Security for the 2012 Bonds. Under the Indenture, the 2012 Bonds are payable from and secured by a pledge of and lien on "Revenues" received by the Authority under an Installment Sale Agreement dated as of April 1, 2012 (the "Installment Sale Agreement"), between the City and the Authority, consisting primarily of installment payments (the "Installment Payments") made by the City under the Installment Sale Agreement. The City's Installment Payments are payable from and secured by "Net Revenues" of the Water Enterprise, which are generally defined as "Gross Revenues" received from the Water System minus the amount required to pay all "Operation and Maintenance Costs" of the Water System. See "SECURITY FOR THE BONDS."

Subordinate Pledge and Lien. The Installment Payments will be payable on a subordinate basis to the installment payments (the "2008 Installment Payments") payable by the City under an installment sale agreement dated as of April 1, 2008, between the Authority and the City, which secures the payment of an outstanding bond issue of the Authority captioned "City of Beverly Hills Public Financing Authority 2008 Water Revenue Bonds, Series A." See "SECURITY FOR THE BONDS" and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water System Obligations." Under the Installment Sale Agreement, the City will covenant not to issue or incur any future obligations any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments, including any obligations on a parity with the 2008 Installment Payments. See "SECURITY FOR THE BONDS."

The City is also currently obligated to make installment payments as the purchase price under an installment sale agreement dated as of January 1, 2007, entered into between the Authority and the City in connection with the issuance of the 2007 Bonds, but that obligation will be satisfied upon the issuance of the 2012 Bonds and concurrent defeasance of the 2007 Bonds. See "FINANCING PLAN."

Future Parity Obligations. The City may issue or incur additional obligations and bonds on parity with or subordinate to the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See "SECURITY FOR THE BONDS – Additional Debt."

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* Preliminary; subject to change.

Bond Terms; Book-Entry Only. The 2012 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 December 1, 2012, and will be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The 2012 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 2012 Bonds will not receive certificates representing their interests in the 2012 Bonds. Payments of the principal of, premium, if any, and interest on the 2012 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 2012 Bonds. See "THE 2012 BONDS – General Provisions."

Redemption. **The 2012 Bonds are subject to optional redemption, mandatory redemption from insurance, sale or condemnation proceeds, and mandatory sinking fund redemption prior to maturity. See "THE 2012 BONDS – Redemption."**

NEITHER THE 2012 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE 2012 INSTALLMENT 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 2012 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2012 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 2012 BONDS.

The 2012 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 2012 Bonds will be delivered in book-entry form through the facilities of DTC on or about April __, 2012.

DE LA ROSA & CO.

The date of this Official Statement is: April _____, 2012.

MATURITY SCHEDULE*

$ _______________ Serial Bonds
(Base CUSIP†: ______)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$ ____ __% Term Bond due June 1, 20__, Price: __% CUSIP† No. __

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† Copyright 2012, 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

Barry Brucker, *Chair/Mayor*
William W. Brien, MD, *Vice Chair/Vice Mayor*
John A. Mirisch, *Director/Councilmember*
Lili Bosse, *Director/Councilmember*
Julian A. Gold, MD, *Director/Councilmember*

AUTHORITY/CITY OFFICIALS

Jeff Kolin, *Executive Director/City Manager*
Mahdi Aluzri, *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

VERIFICATION AGENT
Causey, Demgen & Moore, Inc.,
Certified Public Accountants,
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2012 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 2012 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 Authority, 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 2012 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. 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 overallot or effect transactions which stabilize or maintain the market price of the 2012 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 2012 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and those public offering prices may be changed from time to time by the Underwriter.

THE 2012 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 2012 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
2012 Water Revenue Refunding Bonds, Second Series A**

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 2012 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 "**2012 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 _______________, 2012 (the "**Authority Resolution**"), and by the City Council (the "**City Council**") of the City of Beverly Hills (the "**City**") on ____________, 2012 (the "**City Resolution**"), and

(c) an Installment Sale Agreement dated as of April 1, 2012 (the "**Installment Sale Agreement**"), between the Authority and the City, and an Indenture of Trust dated as of April 1, 2012 (the "**Indenture**"), between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**").

Form of Bonds; Book-Entry Only. The 2012 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 2012 Bonds. Purchasers of the 2012 Bonds will not receive certificates representing the 2012 Bonds that are purchased. See "THE 2012 BONDS - Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Purpose of the 2012 Bonds. The 2012 Bonds are being issued to provide funds to:

* Preliminary; subject to change.

(i) refund on a current basis an outstanding issue of the Authority's bonds captioned "City of Beverly Hills Public Financing Authority, 2007 Water Revenue Bonds" (the "**2007 Bonds**"), which were used to finance the acquisition and construction of certain improvements to the Water Enterprise (the "**2007 Water Project**"),

(ii) prepay certain obligations of the Water Enterprise in order to contribute funds toward the refunding of an outstanding lease revenue bond issue of the Authority, and

(iii) pay the costs of issuing the 2012 Bonds.

See "FINANCING PLAN."

Security for the 2012 Bonds and Pledge of Revenues. Under the Indenture, the 2012 Bonds are payable from and secured by a first pledge of and lien on "**Revenues**" received by the Authority under the Installment Sale Agreement, consisting primarily of installment payments (the "**Installment Payments**") made by the City under the Installment Sale Agreement.

The City's Installment Payments are payable from and secured by "**Net Revenues**" of the Water Enterprise, which are generally defined as "**Gross Revenues**" received from the Water System minus the amount required to pay all "**Operation and Maintenance Costs**" of the Water System.

Under the Installment Sale Agreement, as consideration of the savings to the City as a result of the Authority's issuance of the 2012 Bonds, the City agrees to comply with the provisions thereof, including the agreement to pay semiannual installments thereunder.

See "SECURITY FOR THE 2012 BONDS."

Rate Covenants. The City will make the certain covenants in the Installment Sale Agreement with respect to rates and charges for the Water System, all as further described under "SECURITY FOR THE 2012 BONDS – Rate Covenants."

Subordinate Pledge and Lien. The Installment Payments will be payable on a subordinate basis to the installment payments (the "**Senior 2008 Installment Payments**") payable by the City under an installment sale agreement dated as of April 1, 2008, between the Authority and the City (the "**2008 Installment Sale Agreement**"), which secures the payment of an outstanding bond issue of the Authority captioned "City of Beverly Hills Public Financing Authority 2008 Water Revenue Bonds, Series A" (the "**Senior 2008 Bonds**") that were issued under an Indenture of Trust dated as of April 1, 2008, by and between the Authority and the Trustee (the "**2008 Indenture**"). See "SECURITY FOR THE 2012 BONDS – Senior 2008 Bonds" and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water System Obligations." Under the Installment Sale Agreement, the City will covenant not to issue or incur any future obligations any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments, including any obligations on a parity with the 2008 Installment Payments. See "SECURITY FOR THE BONDS."

The City is also currently obligated to make installment payments as the purchase price under an installment sale agreement dated as of January 1, 2007, entered into between the Authority and the City (the "**2007 Installment Sale Agreement**") in connection with the issuance of the 2007 Bonds, but that obligation will be satisfied upon the issuance of the 2012 Bonds and concurrent defeasance of the 2007 Bonds. See "FINANCING PLAN."

Future Parity Obligations. The City may issue or incur additional obligations and bonds on parity with or subordinate to the Installment Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See "SECURITY FOR THE 2012 BONDS – Additional Debt."

Risks of Investment. The 2012 Bonds are repayable only from certain money available to the City from the Water System. For a discussion of some of the risks associated with the purchase of the 2012 Bonds, see "BOND OWNERS' RISKS."

NEITHER THE 2012 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT 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 2012 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2012 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

Refunding Plan for 2007 Bonds

The Authority previously issued the 2007 Bonds on September 24, 1998, in the original principal amount of $35,495,000. The 2007 Bonds are currently outstanding in the principal amount of $_______________.

The 2007 Bonds were issued primarily to reconstruct the Coldwater Canyon Reservoir, replace the Water Enterprise's network of water meters, and upgrade the telemetry systems related to water meters.

The refinancing plan calls for the outstanding 2007 Bonds maturing on and after June 1, 2013, to be redeemed in full, on a current basis, on _____________, 2012 (the "**Redemption Date**"), at a redemption price equal to 100% of the principal amount thereof, together with interest coming due and payable on the Redemption Date, without premium.

The Authority will apply a portion of the proceeds from the sale of the 2012 Bonds to establish an irrevocable escrow to refund and legally defease, on a current basis, the 2007 Bonds, which were issued on and are currently outstanding in the principal amount of $_______________.

A portion of the proceeds of the 2012 Bonds, together with a deposit by the City of an amount equal to the debt service on the 2007 Bonds coming due on June 1, 2012, and certain other funds on hand with respect to the 2007 Bonds, will be transferred to U.S. Bank National Association, acting as escrow agent (the "**Escrow Agent**") for the 2007 Bonds under Irrevocable Refunding Instructions (the "**Refunding Instructions**"), dated as of April 1, 2012, given by the Authority to the Escrow Agent.

The 2007 Trustee will [invest the amounts on deposit in the Escrow Fund in certain federal securities as specified in the Refunding Instructions] [hold the amounts on deposit in the Escrow Fund in cash, uninvested.] These funds will be sufficient to pay and redeem the 2007 Bonds in full on the Redemption Date, and to defease the outstanding 2007 Bonds as of the date of issuance of the 2012 Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Prepayment of Water Enterprise Obligations

The Authority applied the proceeds of its lease revenue bonds issued in 2003 and 2009 in order to finance certain improvements to the Water Enterprise, and the Water Enterprise has been responsible for reimbursing the City's General Fund for a portion of the lease payments made by the City in connection with the 2003 and 2009 lease revenue bonds.

A portion of the proceeds of the 2012 Bonds will be used to prepay these obligations of the Water Enterprise in order to contribute funds toward the refunding of an outstanding lease revenue bond issue of the Authority captioned "City of Beverly Hills Public Financing Authority 2007 Lease Revenue Bonds (Capital Improvements Project)" (the "**2007 Lease Revenue Bonds**"), which the Authority and the City are currently carrying out.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2012 Bonds are as follows:

Sources:	
Principal Amount of 2012 Bonds	$
Plus Original Issue Premium/*Less* Original Issue Discount	
Plus Funds Related to 2007 Bonds	
TOTAL SOURCES	$
Uses:	
Deposit to Costs of Issuance Fund [1]	
Deposit to Escrow Fund [2]	
Contribution toward 2007 Lease Revenue Bonds Escrow [3]	
Underwriter's Discount	
TOTAL USES	$

[1] 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.

[2] Represents funds to be transferred to the Escrow Agent and deposited in the Escrow Fund to be established under the Refunding Instructions, which will be used to refund and defease the 2007 Bonds. See "– Refunding Plan" above.

[3] Represents funds to be transferred to the escrow agent in connection with the refunding of the 2007 Lease Revenue Bonds. See "– Prepayment of Water Enterprise Obligations" above.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Senior 2008 Bonds, which are secured by the Senior 2008 Installment Payments on a senior basis to the Installment Payments, and the 2012 Bonds. See "SECURITY FOR THE 2012 BONDS – Senior 2008 Bonds" and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water System Obligations."

Year Ending June 1	Senior 2008 Bonds Debt Service	2012 Bonds Principal	2012 Bonds Interest	Total 2012 Bonds Debt Service	Total Debt Service
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					
2040					
2041					
2042					
Total:					

THE 2012 BONDS

Authority for Issuance

The 2012 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of the Authority on _____________, 2012), the City Resolution (which was adopted by the City Council on _______________, 2012), the Installment Sale Agreement and the Indenture. Under the Authority Resolution and the City Resolution, the 2012 Bonds may be issued in a principal amount not to exceed $_________________.

General Provisions

Bond Terms. The 2012 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 2012 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 2012 Bonds will be payable on June 1 and December 1 in each year, beginning December 1, 2012 (each an "Interest Payment Date").

While the 2012 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the 2012 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2012 Bonds. See "– Book-Entry Only System" below.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2012 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2012 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2012 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2012 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2012 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2012 Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2012 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2012 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Calculation of Interest. Interest on the 2012 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a 2012 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a 2012 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any 2012 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

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 2012 Bonds.

Redemption*

Optional Redemption from any Source of Available Funds. The 2012 Bonds maturing on or before June 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates.

The 2012 Bonds maturing on or after June 1, 20__, are subject to redemption in whole, or in part at the Written Request of the Authority, among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after June 1, 20__, from any available source of funds, at a redemption price equal to 100% of the principal amount of the 2012 Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Redemption From Proceeds of Insurance, Sale and Condemnation. The 2012 Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited toward the prepayment of the Installment Payments by the City under the Installment Sale Agreement. The 2012 Bonds are subject to redemption under this provision at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Fund Redemption. The 2012 Bonds maturing on June 1, 20__ (the "**Term Bonds**"), are subject to mandatory redemption in part by lot, on June 1 in each of the years as set forth in the following table, from deposits made for such purpose under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu of redemption may be purchased as described below), in the aggregate respective principal amounts and on the respective dates as set forth in the following table.

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* Preliminary; subject to change.

However, if some but not all of the Term Bonds have been redeemed through optional redemption or mandatory redemption from proceeds of insurance, sale or condemnation, as describe above, the total amount of all future payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of $5,000 as determined by the Authority.

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
20___	
20___	
20___	
20___ (Maturity)	

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds as described above, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written 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 will be credited toward and will reduce the par amount of such Term Bonds required to be redeemed through mandatory sinking fund redemption under the Indenture on the next succeeding June 1.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2012 Bonds of a single maturity, the Trustee will select the 2012 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each 2012 Bond as consisting of separate $5,000 portions and each such portion will be subject to redemption as if such portion were a separate bond.

Notice of Redemption. The Trustee will mail notice of redemption of the 2012 Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any 2012 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services.

Neither the failure to receive any redemption notice nor any defect therein will affect the sufficiency of the proceedings for redemption of the 2012 Bonds or the cessation of accrual of interest from and after the redemption date.

Rescission of Redemption Notice. The Authority has the right to rescind any optional redemption or redemption from proceeds of insurance, sale and condemnation 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 2012 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. If notice of redemption has been duly given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the 2012 Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in the redemption notice, then the 2012 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2012 Bonds so called for redemption will cease to accrue, those 2012 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of those 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2012 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 2012 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a 2012 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 2012 Bonds. Purchasers of the 2012 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.

SECURITY FOR THE 2012 BONDS

The general fund of the City is not liable and neither the credit nor the taxing power of the City is pledged for the payment of the principal of and interest on the 2012 Bonds. The Owners of the 2012 Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal of and interest on the 2012 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 2012 Bonds and certain provisions of the Installment Sale Agreement and the Indenture. See "APPENDIX A – Summary of Principal Legal Documents" for a more complete summary of the Installment Sale Agreement and the Indenture. 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. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts held in any fund or account established under the Indenture (other than the Costs of Issuance Fund and amounts in any fund or account established under the Indenture that are required to be paid to the United States of America) are pledged to secure the payment of the principal of and interest and premium (if any) on the 2012 Bonds in accordance with their terms and the provisions of the Indenture.

This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. "Revenues" are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source, but excluding any Additional Payments), prepayments, insurance proceeds, condemnation proceeds, and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture.

Assignment to Trustee. Under the Indenture the Authority will irrevocably transfer, assign and set over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights to Additional Payments, release and indemnification by the City, and the payment of attorneys' fees and expenses under the Installment Sale Agreement), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments.

The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee.

The Trustee is also entitled to and must, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

Senior 2008 Installment Payments

Under the Installment Sale Agreement, the obligation of the City to make the Installment Payments from Net Revenues is subordinate to the City's obligation to make the Senior 2008 Installment Payments from Net Revenues. The Senior 2008 Installment Payments secure the payment of debt service on the Senior 2008 Bonds. See "DEBT SERVICE SCHEDULE" and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water System Obligations."

Under the Installment Sale Agreement, the City will covenant not to issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments, including any obligations on a parity with the 2008 Installment Payments. See "– Additional Debt" below.

Installment Payments; Application of System Revenues

Installment Sale Payments. Under the Installment Sale Agreement, subject to the prior pledge of the Net Revenues to pay the 2008 Installment Payments, the City will irrevocably pledge, charge and assign all of the Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture to the punctual payment of the Installment Payments. This pledge, charge and assignment constitute a lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, on a parity with the pledge and lien which secures any Parity Obligations.

Net Revenues, Gross Revenues and Operation and Maintenance Costs.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water Enterprise or otherwise arising from the Water Enterprise, including but not limited to investment earnings, and Subsidy Payments (except as otherwise set forth in the Installment Sale Agreement).

The term "Gross Revenues" *does not* include (a) connection charges and developer impact fees, (b) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Water Enterprise, (c) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water Enterprise, and (d) reimbursable customer deposits.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water Enterprise, including but not limited to:

(a) costs of utilities, including the costs of acquisition of water, electricity and other forms of energy supplied to the Water Enterprise,

(b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, and

(c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water Enterprise, including pensions and other post employment benefits properly allocable to the Water Enterprise and insurance and other costs described in the Installment Sale Agreement.

"Operation and Maintenance Costs" do *not include* (i) debt service payable on obligations incurred by the City with respect to the Water Enterprise, including but not limited to the Installment Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Installment Payment Date. Under the Installment Sale Agreement the City is required to make each Installment Payment with the Trustee by the 3rd Business Day immediately preceding each Interest Payment Date on the 2012 Bonds.

Application of Water Enterprise Revenues. Under the Installment Sale Agreement the City is required to deposit all of the Gross Revenues of the Water Enterprise in the Water Enterprise Fund (which has been established and is held and maintained by the City with respect to the Water Enterprise) immediately upon receipt.

The City will apply amounts in the Water Enterprise Fund as set forth in the Installment Sale Agreement and any Parity Obligation Documents, and will apply amounts on deposit in the Water Enterprise Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) the 2008 Installment Payments;

(iii) the Installment Payments and all payments of principal of and interest on any Parity Obligations;

(iv) any other payments required to comply with the provisions of the Installment Sale Agreement (including Additional Payments) and any Parity Obligations Documents; and

(v) any other purposes authorized under the Installment Sale Agreement.

No Preference or Priority. Under the Installment Sale Agreement, payment of the Installment Payments and the principal of and interest on any Parity Obligations will be made without preference or priority among the Installment Payments and such Parity Obligations. If the amount of Net Revenues on deposit in the Water Enterprise Fund is any time insufficient to enable the City to pay when due the Installment Payments and the principal of and interest on any Parity Obligations, such payments will be made on a pro rata basis.

Other Uses of Net Revenues Permitted. Under the Installment Sale Agreement the City will manage, conserve and apply the Gross Revenues on deposit in the Water Enterprise Fund in such a manner that all deposits required to be made as described above will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may use and apply moneys in the Water Enterprise Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water Enterprise, (iii) the prepayment of any other obligations of the City relating to the Water Enterprise, or (iv) any other lawful purposes of the City.

Covenant to Budget and Appropriate

During the Term of the Installment Sale Agreement, the City is required to adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues of the Water Enterprise. If any Installment Payment requires the adoption by the City of any supplemental budget or appropriation, the City will promptly adopt the same.

The covenants on the part of the City contained in this provision of the Installment Sale Agreement constitute duties imposed by law and it is the duty of each and every public official of the City to take such actions 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 these covenants and agreements.

Allocation of Revenues by Trustee

Transfers from the Bond Fund. Under the Indenture, on or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts the following amounts in the following order of priority:

(a) *Deposit to Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) *Deposit to Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2012 Bonds coming due and payable on each June 1, including the aggregate principal amount of Term Bonds that are subject to mandatory sinking fund redemption on that June 1.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2012 Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2012 Bonds on their respective maturity dates, and the principal amount of Term Bonds that are subject to mandatory sinking fund redemption on their respective redemption dates.

Installment Payments as Special Obligation of the City; Obligations Absolute

Special Limited Obligation. The City's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the City limited solely to the Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and such other amounts. No other funds or property of the City are liable for the payment of the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement.

Absolute and Unconditional Obligations. The obligations of the City to pay the Installment Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee.

No Suspension of Payments or Termination of Installment Sale Agreement. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement are fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, failure to complete the acquisition and construction of the 2007 Water Project by the estimated completion date thereof, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State of California or any political subdivision of either thereof, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

No Release of Authority. The foregoing provisions do not release the Authority from the performance of any of the agreements on its part contained in the Installment Sale Agreement or in the Indenture, and if the Authority fails to perform any such agreements, the City may institute such action against the Authority as the City deems necessary to compel performance, so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights under the Installment Sale Agreement, and in such event the Authority will cooperate fully with the City and take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City may request.

Additional Payments

Under the Installment Sale Agreement, in addition to the Installment Payments, the City is required to pay when due the following amounts to the following parties:

(i) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of the Installment Sale Agreement and the Indenture, including the costs of any attorneys or consultants retained by the Authority in order for to ensure compliance with the tax covenants contained therein or in connection with any audit of the Bonds;

(ii) to the Trustee upon request therefor, all of its fees, costs and expenses payable as a result of the performance of and compliance with its duties under the Installment Sale Agreement or under the Indenture or any related documents; and

(iii) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under the Installment Sale Agreement and the Indenture.

The Additional Payments are payable from, but are not secured by a pledge or lien upon, the Net Revenues.

Rate Covenants

Sum Sufficient. Under the Installment Sale Agreement the City is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;

(ii) All Senior 2008 Installment Payments and other amounts payable under the 2008 Installment Sale Agreement, including amounts, if any, required to restore the balance in the Reserve Account for the 2008 Bonds to the full amount of the Reserve Requirement, as such terms are defined in the 2008 Indenture;

(iii) All Installment Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, except to the extent such Installment Payments or the principal of and interest on such Parity Obligations are payable from the proceeds of the 2012 Bonds or such Parity Obligations, as applicable, or from any source of legally available funds of the City (other than the Gross Revenues of the Water Enterprise) that have been deposited with the Trustee for such purpose before the beginning of that Fiscal Year; and

(iv) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year, except to the extent other sources of funds are reserved or encumbered therefore.

Coverage from Net Revenues. In addition, the City will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year that are sufficient, after making allowances for contingencies and error in the estimates, to yield Net Revenues that are at least equal to 125% of the following amounts for such Fiscal Year:

(i) All Senior 2008 Installment Payments and other amounts payable under the 2008 Installment Sale Agreement, including amounts, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement, as such terms are defined in the 2008 Indenture;

(ii) All Installment Payments and all payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or the principal of and interest on such Parity Obligations are payable from the proceeds of the 2012 Bonds or such Parity Obligations, as applicable, or from any source of legally available funds of the City (other than the Gross Revenues of the Water Enterprise) that have been deposited with the Trustee for such purpose before the beginning of that Fiscal Year; and

Treatment of Future Subsidy Payments. For purposes of calculating the interest on any Outstanding Parity Obligations, interest on such Parity Obligations will be reduced by any related Subsidy Payments, and such Subsidy Payments will not be included as Gross Revenues for purposes of the coverage calculations.

Additional Debt

Superior and Subordinate Obligations. Under the Installment Sale Agreement, the City may not issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments, including any obligations on a parity with the 2008 Installment Payments.

Nothing in the Installment Sale Agreement is intended or may be construed to limit or affect the ability of the City to issue, enter into or incur (a) Governmental Loans payable on a priority basis to payments due under the Installment Sale Agreement or in connection with any Parity Obligations, (b) Parity Obligations, or (c) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Conditions for Issuance of Parity Obligations. Under the Installment Sale Agreement, except for obligations incurred to prepay or discharge the Installment Payments or any Parity Obligations, the City may not issue or incur any Parity Obligations, including Governmental Loans, during the Term of the Installment Sale Agreement unless all of the following conditions are satisfied:

(a) No Event of Default has occurred and is continuing.

(b) The Reserve Fund established under the 2008 Indenture must be fully funded at the Reserve Requirement (as defined therein).

(c) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12 month period selected by the City, in either case verified by a certificate or an opinion of an Independent Accountant or a Fiscal Consultant, plus (at the option of the City) any Additional Revenues, at least equal to the sum of 125% of Maximum Annual Debt Service, as defined in the 2008 Indenture, and 125% of Maximum Annual Debt Service (including the Parity Obligations then proposed to be issued).

For purposes of calculating the interest on any Outstanding Parity Obligations or the Parity Obligations proposed to be issued, interest on such Parity Obligations will be reduced by any related Subsidy Payments, and such Subsidy Payments will not be included as Gross Revenues for purposes of the coverage calculations described above.

If the Parity Obligations are being issued solely to refund outstanding Parity Obligations or the 2008 Installment Sale Agreement, and the resulting Annual Debt Service for each Bond Year is less than the Annual Debt Service for each Bond Year prior to the issuance of the refunding Parity Obligations, the City need not comply with the provisions described above.

The Parity Obligations may be, but are not required to be, in the form of Supplemental Agreements, and may, but are not required to, secure the payment of debt service on Bonds.

"Parity Obligations." The term "Parity Obligations" is defined in the Indenture as (i) any bonds, notes, leases, installment sale agreements or other obligations or contracts of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with the Installment Sale Agreement, and (ii) any Governmental Loan that is entered into or executed in accordance with the Installment Sale Agreement.

"Additional Revenues." The term "Additional Revenues" is defined in the Indenture as any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the City, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has been adopted prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12-month period selected by the City, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the City.

Proceeds of Insurance, Sale or Condemnation Awards

Insurance.

(a) Under the Installment Sale Agreement the City must at all times maintain with responsible insurers all such insurance on the Water Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water Enterprise. The City will apply any amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise, at its option, either (i) to repair or rebuild such damaged or destroyed portion of the Water Enterprise, or (ii) to prepay on a pro rata basis (A) the Installment Payments on the next available prepayment date, and (B) any Parity Obligations in accordance with the related Parity Obligations Documents.

(b) The City must also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the 2012 Bonds.

(c) Any policy of insurance required under this provision may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

Sale of the Water Enterprise. Except as described below, the City will covenant in the Installment Sale Agreement that the Water Enterprise will not be encumbered, sold, leased, pledged, have any charge placed thereon, or otherwise be disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments or the principal of or interest on any Parity Obligations, or would materially adversely affect its ability to comply with the terms of the Installment Sale Agreement or any Parity Obligations Documents.

The City may not enter into any agreement which impairs the operation of the Water Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Obligations, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

If any substantial part of the Water Enterprise is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements to the Water Enterprise, or (b) be applied on a pro rata basis to (i) prepay the Installment Payments on the next available prepayment date, and (ii) redeem any Parity Obligations in accordance with the related Parity Obligations Documents.

Condemnation Awards. Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either (i) be used for the acquisition or construction of improvements to the Water Enterprise, or (ii) be applied on a pro rata basis to (A) prepay the Installment Payments on the next available prepayment date, and (B) redeem any Parity Obligations in accordance with the related Parity Obligations Documents.

THE WATER ENTERPRISE

Description and Background

Establishment and History. The City's municipal water system was established in 1923 with the acquisition of the water rights and facilities from the Beverly Hills Utilities Corporation, a subsidiary of the Rodeo Land and Water Company, the original developer of the City. The Water Enterprise presently serves the entire City and portions of the adjacent City of West Hollywood.

On December 29, 1928, the City became an original member of the Metropolitan Water District of Southern California ("**MWD**") following a vote of the City electorate. The City obtains the majority of its water from MWD. See "SOURCES OF SUPPLY" and "METROPOLITAN WATER DISTRICT" below.

Service Connections. There are approximately 10,443 service connections to the Water Enterprise of which approximately 8,842 represent residential services. In addition to these totals, there are an additional 791 fire service connections to the Water Enterprise. Approximately 1,875 service connections to the Water Enterprise are for parcels located in the City of West Hollywood.

Transmission and Storage. The Water Enterprise includes 184 miles of pipelines constructed of ductile iron and has a high-pressure transmission system running from the higher elevation northern portion of the City southward. Pumping is done for transmission purposes only from 10 lift pump stations to the City's 10 reservoirs. The City has 4 water production wells that produce approximately 1,200 acre feet of treated water annually through the Water Treatment Plant located in the City. The Water Treatment Plant has a capacity of producing 2,687 acre feet of treated water annually which is greater by 1,187 acre feet than required by the 4 production wells.

The water system includes the following reservoirs:

Reservoir	Capacity
Sunset Reservoir	6.0 million gallons
Greystone Reservoir	19.5 million gallons
4A Reservoir	2.2 million gallons
Woodland Reservoir	2.0 million gallons
Coldwater Canyon Reservoir	8.3 million gallons
Five Reservoirs at Separate Locations	1.3 million gallons

The water distribution system has adequate capacity to deliver the rate of flow required for fire fighting throughout the City. MWD recommends that each member agency have the ability to withstand a 7-day shutdown of its supply facilities. The City currently has adequate storage and production treatment capacity to meet this requirement assuming a mandatory usage reduction of 25% by all system users.

Sources of Water Supply

At present, approximately 90% of the City's water is obtained directly from MWD, and approximately 10% of the City's water supply consists of groundwater pumped from the Hollywood Basin.

Metropolitan Water District

The information in this section regarding MWD has been obtained from sources that the City and the Authority believe to be reliable, but the City and the Authority take no responsibility for the accuracy or completeness hereof.

City's Right to Purchase Water from MWD. As a MWD member, the City purchases water from MWD at wholesale rates. While the City is not obligated to purchase MWD water, the City entered into a voluntary 10-year water supply purchase order agreement with MWD, which was effective starting in January 2003. Under this purchase order agreement, the City agrees to purchase an amount of water equal to at least 60% of its highest firm demand in any fiscal year from 1989-90 through 2001-02 multiplied by 10 during the 10-year term of the agreement. Although the City may vary the amount of water purchased from year to year, it is obligated to pay the full purchase price over the 10-year period even if it does not take delivery of water in the full purchase amount.

As a member of MWD, the City has a preferential right to 1.01% of MWD's water supply (which is an amount that currently exceeds the City's water demand).

The MWD water supply agreement expires on January 1, 2013. While the City and MWD are engaged in ongoing correspondence regarding a possible extension or renewal, the City has received no commitment to date from MWD regarding any extension or renewal of the water supply agreement.

MWD water is received by the City through turn-outs from the MWD's Weymouth Filtration Plant, which receives water from the State Water Project and the Colorado River Aqueduct. The Weymouth treatment plant is located approximately 45 miles from the City.

MWD. The MWD is a public agency and quasi-municipal corporation created in 1928 by vote of the electorates of several Southern California cities, including the City. MWD's primary purpose was and is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member public agencies. MWD's service area comprises a population of over 18 million people living in approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 member public agencies of the MWD, consisting of 14 cities, including the City, 11 municipal water districts, and one county water authority. The City was one of the founding members of MWD.

MWD's Internet home page is located at www.mwdh2o.com, and MWD's most recent audited financial statements are included at this Internet address. *This Internet address is included for reference only and the information on such Internet site is not a part of this Official Statement or incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on any Internet site.*

MWD has certain publicly available documents and has entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain listed events, and annual audited financial statements (the "**MWD Continuing Disclosure Information**") with the Municipal Securities Rulemaking Board Electronic Municipal Market Access system at http://emma.msrb.org. The MWD Continuing Disclosure Information is not incorporated herein by reference thereto, and the City makes no representation as to its accuracy or completeness.

MWD has not entered into any contractual commitment with the City, the Trustee or the owners of the 2012 Bonds to provide MWD Continuing Disclosure Information to the City or the owners of the 2012 Bonds.

MWD has not reviewed this official statement and has not made representations or warranties with respect to the accuracy or completeness of the information contained or incorporated herein, including information with regard to MWD.

Sources of MWD's Water Supply. MWD obtains its water supplies from two sources:

State Water Project. MWD has a long-term contract to purchase water from the State Water Project, which delivers water from the San Francisco Bay/Sacramento-San Joaquin River Delta in northern California (the "Bay Delta") via the Edmund G. Brown California Aqueduct.

Colorado River. MWD imports water from the Colorado River via the Colorado River Aqueduct (which MWD owns and operates). MWD has a legal entitlement to receive water from the Colorado River under a permanent service contract with the Secretary of the Interior. Water from the Colorado River or its tributaries is also available to other users.

Approximately two-thirds of the water supply within MWD's service area consists of imported water, and the balance is produced locally.

Limitations on MWD's Water Supply. MWD faces a number of challenges in providing a reliable and high quality water supply for its members, including the City. These include, among others:

(1) the growing population within the service area;

(2) the increased competition for low-cost water supplies;

(3) variable weather conditions, which include record dry conditions affecting the watershed for the State Water Project and the Colorado River basin during recent years;

(4) increased environmental regulations limiting the diversion of water from rivers for consumption; and

(5) increased regulations to ensure clean and safe drinking water.

MWD has ongoing projects and programs aimed at increasing water supply reliability and reducing the vulnerability of droughts. MWD faces various serious challenges in the continued supply of imported water to its members, including the City.

If a shortage should arise, legal issues exist as to whether different California Water Code provisions should be invoked to require reasonable regulations for the allocation of water in time of shortage. Any curtailment would likely be accompanied by an increase in MWD water charges to its constituent agencies and consequently could necessitate an increase in the City's water rates to its customers. In addition, MWD has developed a water supply allocation plan that provides for the equitable distribution of available water supplies in case of extreme water shortage within MWD's service area.

City's Pumped Groundwater

At present, approximately 10% of the City's water supply consists of groundwater pumped from the Hollywood Basin. The City resumed groundwater extraction in April 2003, and currently pumps water from four wells. Pumped groundwater is treated at the City's water treatment plant for groundwater (the "Water Treatment Plant").

The City and its predecessors in interest began producing groundwater from the Hollywood Basin and La Brea Subarea of the Central Basin in the early 1900s. Based on that longstanding extraction and beneficial use of groundwater, the City has formed appropriative and prescriptive groundwater rights in those basins. The Hollywood Basin and La Brea Subarea are currently unadjudicated, but are subject to management by the City through municipal ordinances.

The City did not extract groundwater between 1976 and 2002 because of poor groundwater quality, but resumed the active exercise of its groundwater rights in 2003 with the construction of the Water Treatment Plant. The City has preserved all of its groundwater rights through the filing of applicable forms with the State Water Resources Control Board pursuant to California Water Code sections 1005.1 and 1005.2.

The City anticipates that it will produce at least 1,200 acre feet of treated water annually. All four wells were rehabilitated and refurbished starting in Fiscal Year 2005-06 through Fiscal Year 2006-07. Routine pump and motor replacements took place in Fiscal Year 2010-11 and Fiscal Year 2011-12.

Cost of Water Purchased from MWD

Current Water Costs. Under the City's contract with MWD, the City's cost to purchase water for Fiscal Year 2011-12 is $744 per acre-foot. The City anticipates that it will purchase approximately 10,680 acre-feet of water from MWD for City use during the current Fiscal Year.

MWD Rate Structure. MWD's charges for water sales are fixed by the MWD board and are not subject to regulation by the California Public Utilities Commission or any other state or federal agency.

The following table sets forth MWD's water rates charged to the City from Fiscal Year 2002-03 to the current Fiscal Year, projected rates for Fiscal Years 2012-13 and 2013-14.

TABLE 1
SUMMARY OF WATER RATES PAID TO MWD
(Dollars per Acre-Foot)

Fiscal Year [1]	Non-interruptible Domestic (Treated – Tier 1) [2]
2002-03	$408
2003-04	408
2004-05	418
2005-06	443
2006-07	453
2007-08	478
2008-09	508
2009-10	579
2010-11	701
2011-12	744
2012-13 [3]	794
2013-14 [3]	868

[1] Rates become effective on July 1 of each year.
[2] Emergency domestic is provided through interconnects with the Los Angeles Department of Water and Power at their regular rates.
[3] MWD Projected Rates.
Source: City of Beverly Hills.

Historic Purchased Water Costs. The following table sets forth a five-year history of the City's cost of purchasing water from MWD as a percentage of total operations and maintenance costs.

TABLE 2
HISTORIC PURCHASED WATER COSTS

Fiscal Year	Purchased Water Cost	Percent of Total Operating Expenses
2007-08	$6,486,746	
2008-09	7,036,735	
2009-10	7,735,747	
2010-11	8,300,578	
2011-12 [1]	4,336,798	

[1] Projected.
Source: City of Beverly Hills.

Billing and Collection Procedures

The City maintains a relational computer data base representing a registry for each customer of the Water Enterprise. The data base is divided into 31 billing segments, representative of the original 31 meter books used to read meters when the City had a manual read system.

Each customer's water meter is automatically read every six hours. These readings are transmitted from the water meter through a Meter Transmitter Unit to a Data Collector Unit, which decodes and error-checks the received data before storing it in local memory. The Data Collector Units connect to the Network Control Computer, a centrally located network server, once each day via a cellular phone and pass along the meter data for processing. The Network Control Computer processes the incoming data and loads it into a database for storage and retrieval. The consumption data is then linked to the City's billing system that is updated and bills are printed and mailed. The City bills its customers for water service and usage on a bi-monthly basis.

All water bills are due and payable upon demand and become delinquent on the 30th day following mailing. Upon failure of a water user to pay the water bill in full when due, the bill is deemed delinquent and a delinquent service charge is added to the bill. Upon failure of a water user to pay the bill in full no later than 45 days following the date of delivery, the City may, after complying with State law on discontinuance of utility service for nonpayment, discontinue water service and may not again furnish water service to such a user until all previous water charges, delinquent service charges, a customer deposit and a disconnection/ reconnection service charge are paid in full.

During the last five fiscal years, the percentage of revenues written off as uncollectible has varied from 0.001% to 0.002% per year. For the most recent fiscal year the rate was 0%.

Water Enterprise Rates and Charges

General. Water rate schedules are adopted by the Mayor and City Council by ordinance. The principal consideration in designing rate schedules is to assure that the revenues of the Water Enterprise cover total system expenditures and allow for a surplus which is used for system replacement.

Current Rate Schedule and Recent Increases. In order to address decreases in operating income due to increased operating expenses, the City Council most recently approved a rate increase of 15%, which became effective July 1, 2011. This rate ordinance continued the additional fourth tier for residential customers, which is designed to encourage water conservation and adds a substantial cost increase to customers who use excessive amounts of water.

The following table sets forth the current rates and charges for the Water Enterprise.

TABLE 3
SCHEDULE OF RATES AND CHARGES
Fiscal Year 2011-12

Service Charges

Meter Size		Inside-City Bi-Monthly Charge	Outside-City Bi-Monthly Charge (2)
1 inch and smaller		$35.17	$43.96
1-1/2 inches		60.46	75.58
2 inches		90.80	113.50
3 inches		161.61	202.01
4 inches		262.76	328.45
6 inches		515.63	644.54
Quantity Charges (Bi-monthly Usage) (1)			
Single Family & Duplexes	Multi-Family Residential (Tier acts as multiplier by # of units)		
Tier 1 – from 1 up to 10 CCF	Tier 1 – from 1 up to 4 CCF	3.17	3.97
Tier 2 – over 10 up to 55 CCF	Tier 2 – over 4 up to 9 CCF	4.12	5.15
Tier 3 – over 55 up to 120 CCF	Tier 3 – over 9 up to 16 CCF	6.41	8.01
Tier 4 – over 120 + CCF	Tier 4 – over 16 CCF	12.22	15.28
Non-residential rate (Commercial, Government & Schools)		5.39	6.74

(1) Billing based on units of hundred cubic feet ("CCF") of water.
(2) Represents water sold to users located in the City of West Hollywood.
Source: City of Beverly Hills.

Historic and Future Rate Increases. The table below shows a 10-year history of water rate increases adopted by the City Council, and the adopted rate increase for Fiscal Year 2012-13.

TABLE 4
HISTORIC WATER RATES INCREASES

Fiscal Year	Percentage Increase
2002-03	N/A
2003-04	4%
2004-05	5%
2005-06	5%
2006-07	14%
2007-08	12%
2008-09	8%
2009-10	8%
2010-11	15%
2011-12	15%
2012-13	7%

Source: City of Beverly Hills.

Projected Water Rate Increases. As part of its adopted budget, the City incorporates projected annual water rate increases of 7% for planning purposes. Although there can be no guarantee that such rate increases will be adopted in the future, the City currently anticipates that such water rate increases with be considered by the City Council each year.

Emergency Water Conservation Ordinance

The City's Municipal Code contains a process whereby the City Council may implement voluntary and mandatory water conservation measures, and penalty water rates, if the City Manager determines that a "water conservation stage" shortage exists.

The City Manager determines whether a water conservation stage has been reached by the amount of water available or the potential for water interruption. The City Manager is required to monitor the supply and demand for water by customers, and when the City Manager finds that the guidelines for initiation of any stage (as set forth in the municipal code), have been satisfied, he or she will recommend to the City Council that a resolution to declare the appropriate water conservation stage be adopted.

Connection Fees

The City charges connection fees for buying capacity in the existing Water Enterprise. In addition, actual costs of connecting the customer to the Water Enterprise are billed to the customer. For Fiscal Year 2010-11, connection fees made up approximately 0.3% of the Water Enterprise's revenues.

The following table sets forth the schedule of service connection charges.

TABLE 5
SCHEDULE OF CONNECTION FEES
Fiscal Year 2011-12

Service Connection Charge (based on meter size)	Inside City	Outside City
General		
1" and smaller	$670.46	$848.70
1-1/2"	1,350.69	1,702.23
2"	1,928.71	2,604.40
3"	2,878.41	4,054.48
4"	3,876.25	5,561.66
6"	4,866.93	7,199.65
8"	5,755.61	8,914.17
Fire Protection Services		
4"	3,876.25	5,817.44
6"	4,866.93	7,744.13
8"	5,755.61	9,541.02
10"	6,753.55	13,408.81

Source: City of Beverly Hills.

Historical Service Connections

Based on data compiled in 2009, the average number of water connections to the Water Enterprise for the five prior fiscal years was 10,813, consisting of the following user types:

	Number of Connections	Percent of Total
Residential	8,842	81.77%
Commercial	1,697	15.69
Industrial	104	0.96
Public Agencies	170	1.57
Total:	10,813	100.00%

Source: City of Beverly Hills.

The City is fully developed and as such experiences only minor fluctuations in system connections as properties are remodeled. The City does not expect the number of water connections to the Water Enterprise to change significantly in future years.

Historical Water Deliveries

The City records the volume of water delivered by MWD and the amount of groundwater produced locally. Over the past five years, the volume of water consumed by the City's customers has generally fluctuated due to changes in weather consumption and consumer demand.

The following table presents a summary of historical water deliveries of the Water Enterprise in acre-feet per year for the five most recent fiscal years.

TABLE 6
HISTORICAL WATER DELIVERIES
(In Acre-Feet)

Fiscal Year	Water Purchased from MWD	Percentage Change	Pumped Groundwater	Percentage Change	Total Production	Percentage Change
2006-07	12,775.5	N/A	1,231.0	N/A	14,006.5	N/A
2007-08	12,179.3	(4.67)%	1,273.6	3.46%	13,452.9	(3.95)%
2008-09	11,800.5	(3.11)	964.3	(24.29)	12,764.8	(5.11)
2009-10	10,473.3	(11.25)	1,089.4	12.97	11,562.7	(9.42)
2010-11	10,249.1	(2.14)	822.3	(24.52)	11,071.3	(4.25)

Source: City of Beverly Hills.

Historical Water Sales Revenues

The following table shows the amount of annual water sale revenues of the Water Enterprise for the five most recent Fiscal Years.

TABLE 7
HISTORICAL WATER SALE REVENUES
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Revenues	Percentage Change	Water Consumed (acre-feet)	Percentage Change
2006-07	$22,814,061	N/A	12,799	N/A
2007-08	23,743,626	4.1%	12,128	(5.2)%
2008-09	24,839,114	4.6	11,824	(2.5)
2009-10 [1]	24,676,468	(0.7)	10,817	(8.5)
2010-11 [1]	31,819,782	1.8	9,952	(8.0)

[1] Delays in automated water meters caused the collection of some 2009-10 revenue to occur in 2010-11.
Source: City of Beverly Hills.

Ten Largest Customers

The following table sets forth the ten largest customers in water usage and revenues of the Water Enterprise for Fiscal Year 2010-11.

TABLE 8
TEN LARGEST CUSTOMERS
Fiscal Year 2010-11

Customer	Billings [1]	Percent of Annual Revenue
City of Beverly Hills	$763,982	2.40%
Beverly Wilshire Hotel	569,591	1.79
Beverly Hilton Hotel	430,094	1.35
Beverly Hills Hotel	344,076	1.08
Montage Beverly Hills	342,618	1.08
Belvedere Hotel Partners	265,028	0.83
Wyndham Bel Age Hotel	203,942	0.64
Geffen, David [2]	203,658	0.64
Pacific Design Center 1 LLC [3]	165,821	0.52
Doheny West Homeowners Assoc.	145,107	0.46
Subtotal of Top Ten:	$3,433,918	10.79%
Total Billings:	**$31,819,782**	

[1] Estimated.
[2] Represents commercial property.
[3] Located in West Hollywood and billed at rates for users outside of the City.
Source: City of Beverly Hills.

Future Capital Improvements

The City expects to make the following capital improvements to the Water Enterprise in the current and the next four Fiscal Years, which are anticipated to be financed through surplus Water Enterprise revenues. See "WATER ENTERPRISE FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage."

TABLE 9
FUTURE CAPITAL IMPROVEMENTS
Fiscal Years 2012-13 Through 2015-16

	2012-13	2012-13	2013-14	2014-15	2015-16	TOTAL
Project management costs (for out years)	$948,850	$1,046,400	$1,067,300	$1,088,600	$1,110,400	$5,261,550
Street and sidewalk improvements	275,000	275,000	275,000	275,000	275,000	1,375,000
Water main and hydrant replacement	2,000,000	3,800,000	3,800,000	3,800,000	4,000,000	17,400,000
Irrigation upgrades	141,750	141,750	141,750	141,750	141,750	708,750
Water treatment plant maintenance	-	500,000	-	-	-	500,000
Reservoir replacement/water tanks	360,000	250,000	250,000	250,000	250,000	1,360,000
Public works asset management system	26,500	26,500	26,500	26,500	26,500	132,500
Well rehab and groundwater development	600,000	100,000	100,000	100,000	100,000	1,000,000
Total Maintenance Projects	$4,352,100	$6,139,650	$5,660,550	$5,681,850	$5,903,650	$27,737,250

Source: City of Beverly Hills.

Management and Employee Relations

The City has 25 employees assigned directly to the Water Enterprise. Operations and maintenance of the Water Enterprise are carried out under the general supervision of the Director of Public Works and Transportation.

David Gustavson has served as the Director of Public Works and Transportation for the City of Beverly Hills since 2005. Prior to that position, Mr. Gustavson served as Director of Transportation and Engineering with the City of Beverly Hills beginning in July, 2004. Mr. Gustavson began work in the Public Works field in 1983 for the Los Angeles County Flood Control District/Department of Public Works. He worked in various supervisory and management positions in local government in California until 1987 when he came to the City of Beverly Hills as a Senior Civil Engineer. Mr. Gustavson is a graduate of the University of Illinois receiving his Master of Science in 1982. Mr. Gustavson is a member of the American Public Works Association and the American Water Works Association.

Insurance

The property damage insurance maintained by the City for all City property also covers the facilities and operation of the Water Enterprise. Property damage insurance is provided by Allendale Insurance, a commercial carrier and a subsidiary of FM Global, up to a coverage amount of $372,635,000.

Water Quality and Regulatory Matters

The City's sources of water supply includes purchased water from MWD (through its Jensen and Weymouth water treatment plants) and water pumped from the City's groundwater wells in the Hollywood Basin.

The primary water quality issues relating to the City's groundwater supply are the high concentration of arsenic in one well, total dissolved solids and the presence of natural gases (hydrogen sulfide and methane). The City treats its groundwater supply to reduce these contaminants through reverse osmosis and air stripping technology in its Water Treatment Plant. The air stripping technology provides efficient removal of hydrogen sulfide which enhances high water quality.

However, a portion of the groundwater flow doesn't go through reverse osmosis treatment, but blended with the reverse osmosis treated water to emulate the total dissolved solid concentration of MWD water. In addition, this technique prevents occurrence of corrosivity in the City's water system.

The City is required to monitor numerous constituents from inorganic, organic and radiological chemicals in its groundwater supply. However, by the City's water operation permit, the following constituents are monitored weekly: total dissolved solids (TDS), chloride, manganese, sulfate, Coliform bacteria, bacteria plate count, arsenic, fluoride and dissolved sulfides. The City has exceeded the USEPA and California Department of Public Health (CDPH) numerical standard on all primary and secondary drinking water standards. This includes twelve unregulated chemical constituents in the groundwater supply.

The City's distribution system currently meets or exceeds all federal and state drinking water regulations.

In 2004, the City exceeded the Action Level ("AL") of 15 parts per billion for lead in the set of samples for the Lead and Copper Rule (LCR). However, the City was in compliance with the second annual scheduled set of samples in 2005. The violation in the first set prompted the City to perform a desktop study for lead and copper, public education and outreach. The desktop study revealed that improper sampling techniques were the main cause of exceeding the AL for lead and copper. Staff prepared detailed instructions for proper sampling and included it in the sample kit for every lead and copper monitoring schedule since 2006. The new instructions resulted in compliance for LCR monitoring in 2006, 2007 and 2008. As a result, the California Department of Public Health granted the City a reduced monitoring schedule to one per three years. In 2011, the first reduced monitoring schedule, the City met the LCR.

Environmental Issues regarding the wells and water treatment plant include the NPDES (National Pollution Discharge Elimination System) Permits and a Southern California Air Quality Permit. Since the water treatment plant went online in 2003, the City has minimized risks associated with compliance of the NPDES by limiting the amount of water discharged to the storm drain and implementing operational changes in the water treatment plant. It continues to meet Southern California Air Quality Permit standards by performing compliance sampling and maintaining and properly operating the air treatment technology. These changes were based on extensive studies and past experiences. The City has not had any non-compliance issues under these permits since these operational changes were initiated.

WATER ENTERPRISE FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the City prepared by Mayer Hoffman McCann P.C. (the "Auditor") is included as APPENDIX B hereto (the "Financial Statements"). The Auditor's letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2011 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

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.

The summary operating results contained under the caption "WATER ENTERPRISE FINANCIAL INFORMATION -- Historical Operating Results" are derived from these financial statements and are qualified in their entirety by reference to such statements, including the notes thereto.

Investments

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.

See "APPENDIX B" for a description of the City's investment portfolio for Fiscal Year 2010-11.

Outstanding and Anticipated Water Enterprise Obligations

Senior Installment Payments. The Installment Payments will be payable on a subordinate basis to the Senior 2008 Installment Payments, which secure and provide debt service payments on the Senior 2008 Bonds, as described below:

Bond Caption	Issuance Date	Original Principal Amount	Outstanding Principal Amount	Final Maturity
City of Beverly Hills Public Financing Authority 2008 Water Revenue Bonds, Series A	April 10, 2008	$30,735,000	$_______	June 1, 2024

See "DEBT SERVICE SCHEDULE."

The City is also currently obligated to make installment payments as the purchase price under the 2007 Installment Sale Agreement, which was entered into in connection with the issuance of the 2007 Bonds, but that obligation will be satisfied upon the issuance of the 2012 Bonds and concurrent defeasance of the 2007 Bonds. See "FINANCING PLAN."

No Anticipated Future Indebtedness. The City and the Authority currently anticipate that future capital needs of the Water Enterprise will be paid from Water Enterprise revenues and capital reserves.

Retirement Plan and OPEB Obligations

The Water Enterprise is responsible for its share of the employee retirement plans and post-employment health care benefit plans maintained by the City. These plans include (a) retirement and disability benefits, annual cost-of-living adjustments, and death benefits (the "**Public Employees' Retirement Plan**") maintained through the California Public Employees Retirement System, and (b) post-retirement health care benefits in accordance with employees' respective compensation plans (the "**OPEB Plans**"). Detailed information regarding these plans is included in the notes to the City's audited financial statements attached as APPENDIX B.

For Fiscal Year 2011-12, the City estimates that the share of these plan obligations for which the Water Enterprise is responsible is as follows:

Public Employees' Retirement Plan	1.52%
OPEB Plans	2.38%

Historical Operating Results

The following table is a summary of operating results of the Water Enterprise for the last five fiscal years, which are derived from the City's Comprehensive Annual Financial Reports.

TABLE 10
HISTORICAL OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30, 2007 THROUGH JUNE 30, 2011

	Audited Actual 2007	Audited Actual 2008	Audited Actual 2009	Audited Actual 2010	Audited Actual 2011
Operating revenues -					
Sales, service charges & fees	$22,814,061	$23,743,626	$24,839,114	$24,676,468	31,819,782
Operating expenses:					
Salaries & employee benefits	1,927,403	2,166,575	2,502,736	2,782,333	2,627,318
Maintenance & operation	14,223,492	14,389,948	17,191,106	14,940,792	17,438,450
Depreciation	2,895,778	2,704,549	3,005,352	3,816,446	33,343,873
Amortization of issuance costs	68,421	81,818	58,404	58,758	58,158
Total operating expenses	19,115,094	19,342,890	22,757,598	21,598,329	23,467,799
Operating income (loss)	3,698,967	4,400,736	2,081,516	3,078,139	8,351,983
Nonoperating revenues (expenses):					
Investment revenue	1,809,988	2,359,147	606,746	347,311	432,817
Net change fair value of investments	106,893	29,618	55,212	135,269	(51,219)
Intergovernmental revenue	-	-	-	-	-
Interest expense	(2,414,110)	(3,489,337)	(2,895,011)	(3,088,322)	(3,159,182)
Gain (loss) on sale cap assets	-	-	-	-	-
Other revenue	-	53,314	(378,384)	(6,435)	(472,148)
Total nonoperating revenues (expenses)	(497,229)	(1,047,258)	(2,611,437)	(2,612,187)	(3,249,732)
Income (loss) before contributions & operating transfers	3,201,739	3,353,478	(529,921)	1,465,952	5,102,251
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(2,973)	-
Change in net assets	3,201,739	3,353,478	(529,921)	1,462,979	5,102,251
Net assets, July 1	61,090,145	64,291,883	67,645,361	67,115,444	68,578,423
Net assets, June 30	64,291,884	67,645,361	67,115,440	68,578,423	73,680,674

Source: City of Beverly Hills Audited Financial Statements.

Management Discussion and Analysis

Financial Results. During Fiscal Year 2010-11, the Water Enterprise Fund had an increase in net assets of $5,102,251, and non-operating expenses of $3,249,732.

Net income from operations (which excludes interest earnings, net change in fair market value of investments and debt service interest) was $8,351,983 for the Fiscal Year 2010-11, compared with a gain/loss of $3,078,139 in Fiscal Year 2009-10. Revenue increased in Fiscal Year 2010-11 due primarily to a $1,500,000 grant and penalty surcharges.

Water Consumption. Water use has been generally stable over the last several years fluctuating primarily due to seasonal weather conditions.

User Rates. User rates will continue to be reviewed and adjusted as necessary to maintain both debt service coverage and cash reserves, which can provide liquidity in the event of natural disaster, interest income for the Water Fund and the luxury of rate stabilization should there be sudden, unexpected increases in operating costs or reductions in water demand that result in decreased revenues from service charges.

Historical Debt Service Coverage

The following table is a summary of operating results of the Water Enterprise and resulting debt service coverage.

TABLE 11
HISTORICAL OPERATING RESULTS AND
DEBT SERVICE COVERAGE
FISCAL YEAR ENDED JUNE 30, 2007 THROUGH JUNE 30, 2011

	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011
Gross revenues [1]	$22,814,061	$23,743,626	$24,839,114	$24,676,468	$31,819,782
Operating expenses [2]	19,115,094	19,342,890	22,757,598	21,598,329	23,467,799
Net Revenues	3,698,967	4,400,736	2,081,516	3,078,139	8,351,983
1998 Debt Service [3]	1,023,048	1,022,548	1,020,708	1,022,488	1,022,628
2007 Debt Service [4]	512,961	1,526,166	1,526,166	1,526,166	1,526,166
2008 Debt Service	0	852,238	2,731,288	2,737,338	2,736,738
Total Debt Service:	$1,536,009	$3,400,952	$5,278,162	$5,285,992	$5,285,532
Debt Service Coverage					

[1] Calculated in accordance with the Indenture.
[2] Calculated in accordance with the Indenture and excludes depreciation, amortization and other non-cash items.
[3] Represents the 1998 Installment Payments supporting the payment of debt service on the 1998 Bonds, which were defeased and refunded with a portion of the proceeds of the 2008 Bonds. See "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water Enterprise Obligations."
[4] Represents the 2007 Installment Payments supporting the payment of debt service on the 2007 Bonds, which are being defeased and refunded with a portion of the proceeds of the 2012 Bonds. "FINANCING PLAN – Refunding Plan" and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water Enterprise Obligations."
Source: City of Beverly Hills.

Projected Operating Results and Debt Service Coverage

The table below sets forth the City's projected operating results for the Water Enterprise, and resulting projected debt service coverage, for the fiscal years ending June 30, 2012, through June 30, 2016.

The projections set forth in the table below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. The forecast represents the City's estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the table below are material in the development of the City's financial projections, and variations in the assumptions *may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.*

TABLE 12
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
FISCAL YEAR ENDED JUNE 30, 2012 THROUGH JUNE 30, 2016

	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Gross revenues [1]	$34,047,167	$36,430,468	$38,980,601	$41,709,243	$44,628,890
Operating expenses [2]	24,069,772	24,689,804	25,328,437	25,986,230	26,663,756
Net Revenues	9,977,395	11,740,664	13,652,164	15,723,014	17,965,135
2007 Debt Service [3]	1,519,166	0	0	0	0
2008 Debt Service [4]	2,728,738	2,733,538	2,734,038	2,734,838	2,731,238
2012 Debt Service* [5]	___	___	___	___	___
Total Debt Service*	___	___	___	___	___
Debt Service Coverage*	___	___	___	___	___

* Preliminary; subject to change.

[1] Calculated in accordance with the Indenture. Assumes a 7% rate increase effective each July 1.

[2] Calculated in accordance with the Indenture and excludes depreciation, amortization and other non-cash items. Assumes increases of 3% each year.

[3] Represents the 2007 Installment Payment supporting the payment of debt service on the 2007 Bonds on December 1, 2011. The 2007 Bonds will be refunded and defeased with the proceeds of the Bonds. See "FINANCING PLAN" and "THE WATER ENTERPRISE – Outstanding and Anticipated Water Enterprise Obligations." Therefore, the debt service payment due on June 1, 2012, is not included in this amount.

[4] Represents the Senior 2008 Installment Payments supporting the payment of debt service on the Senior 2008 Bonds. See "THE WATER ENTERPRISE – Outstanding and Anticipated Water Enterprise Obligations."

[5] Represents the Installment Payments supporting the payment of debt service on the 2012 Bonds.

Source: City of Beverly Hills.

THE AUTHORITY

The Beverly Hills Public Financing Authority (the "Authority") was created by a Joint Exercise of Powers Agreement, dated as of November 10, 1992, between the City and the Parking Authority of the City of Beverly Hills (the "Parking Authority"). Such agreement was entered into pursuant to Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6484) of the California Government Code (the "Joint Powers Act"). The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities of the City or the Parking Authority. The Authority is governed by a five-member board whose members are the same as the City Council. The Authority has no employees and all staff work is done by City staff or by consultants to the Authority.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2012 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2012 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2012 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2012 Bonds. There can be no assurance that other considerations will not materialize in the future.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for water services, which can be affected by population factors, more stringent water quality regulations, availability of competing services for water, and other factors.

There can be no assurance that water service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenants contained in the Installment Sale Agreement. The City's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the 2012 Bonds and existing or future Parity Obligations.

Operation and Maintenance Expenses

There can be no assurance that operation and maintenance expenses of the City related to the Water Enterprise will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in water quality standards, increases in the cost of purchased water, Water Enterprise operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenants in the Installment Sale Agreement. Such rate increases could drive down demand for water and related services.

No Debt Service Reserve Fund.

The Indenture does not require the Authority to establish a debt service reserve fund for the 2012 Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments 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 "– Proposition 218" below. Furthermore, any remedies available to the owners of the 2012 Bonds upon the occurrence of an event of default under the Installment Sale Agreement 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 Installment Sale Agreement and the Indenture, the rights and obligations under the 2012 Bonds, the Installment Sale Agreement 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 2012 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.

Seismic Considerations

The City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Water Enterprise, resulting in a temporary reduction in the amount of Net Revenues available to pay Installment Payments when due.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2012 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2012 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 Installment Sale Agreement and the Indenture. Should such an event of taxability occur, the 2012 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Current Practice Regarding Rates and Charges. The City's practice in implementing increases in water rates and charges has been to provide property owners with a 45-day mailed notice and public hearing before the City Council approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2012 Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases.

Environmental Regulation

The kind and degree of drinking water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water Enterprise, and mandate their use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water Enterprise or MWD (the main supplier of water to the Water Enterprise), the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2012 Bonds or, if a secondary market exists, that any 2012 Bonds can be sold for any particular price. Prices of bond 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.

No assurance can be given that the market price for the 2012 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2012 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2012 Bonds or obligations that present similar tax issues as the 2012 Bonds.

Existing Senior Obligations and Future Parity Obligations

The Installment Payments will be made on subordinate parity with the Senior 2008 Installment Payments. See "DEBT SERVICE SCHEDULE," "SECURITY FOR THE BONDS – Senior 2008 Installment Payments," and "WATER ENTERPRISE FINANCIAL INFORMATION – Outstanding and Anticipated Water Enterprise Obligations."

As described in "SECURITY FOR THE 2012 BONDS – Additional Debt" above, the Installment Sale Agreement permits the City to issue Parity Obligations, its obligations under which would be payable on a parity with the payment of the Installment Payments.

In the event of a decline in Net Revenues available to pay Installment Payments, the existence of the Senior 2008 Installment Payments and any future Parity Obligations could adversely affect the City's ability to pay debt service on the 2012 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 2012 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, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the

"Tax Code") that must be satisfied subsequent to the issuance of the 2012 Bonds. The Authority 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 2012 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2012 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 a 2012 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 and original issue premium is disregarded.

Under the Tax 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 2012 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2012 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2012 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2012 Bonds who purchase the 2012 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2012 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 2012 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2012 Bond (said term being the shorter of the 2012 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 2012 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2012 Bond is amortized each year over the term to maturity of the 2012 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2012 Bond premium is not deductible for federal income tax purposes. Owners of premium 2012 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 2012 Bonds.

In the further opinion of Bond Counsel, interest on the 2012 Bonds is exempt from California personal income taxes.

Owners of the 2012 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2012 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 2012 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 2012 Bonds, the form of which opinion is set forth in Appendix E. Certain legal matters will also be passed upon for the City by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth.

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 Installment Sale Agreement 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 Installment Sale Agreement 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 Installment Sale Agreement.

RATINGS

Moody's Investors Service ("**Moody's**") has assigned its municipal bond rating of "___" to the 2012 Bonds, Fitch Ratings ("**Fitch**") has assigned its municipal bond rating of "____" to the 2012 Bonds, and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "____" to the 2012 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. Any such downward revision or withdrawal of any rating on the 2012 Bonds may have an adverse effect on the market price or marketability of the 2012 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2012 Bonds to provide certain financial information and operating data relating to the City and the Water Enterprise (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

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 listed events is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has never failed to comply, in all material respects, with its previous continuing disclosure undertakings under the Rule to provide annual continuing disclosure reports or notices of listed events.

UNDERWRITING

E. J. De La Rosa & Co., Inc., (the "Underwriter"), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the 2012 Bonds at a price of $_______________ (equal to the par amount of the 2012 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 2012 Bonds if any are taken. The Underwriter intends to offer the 2012 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

Fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2012 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, as Underwriter's counsel; and U.S. Bank National Association, as Trustee.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, Inc., Certified Public Accountants, Denver, Colorado (the "**Verification Agent**") upon delivery of the 2012 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by the City, relating to (1) the sufficiency of the anticipated receipts from the [Federal Securities and] [uninvested moneys] deposited with the Escrow Agent to pay, when due, the principal, interest and prepayment premium requirements of the 2007 Bonds, and (2) the yield on the 2012 Bonds and on the Federal Securities to be deposited with the Escrow Agent.

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, 2011

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY
2012 Water Revenue Refunding Bonds, Second Series A

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 of Trust dated as of April 1, 2012 (the "Indenture"), 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 Urban Future Incorporated, 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 dated _____________, 2012, 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, 2013, with the report for the 2012-13 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, which shall include financial statements of the City's municipal water system (the "Water System") 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) 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 and the Water System for the preceding fiscal year, in the form of updates to the tables and descriptions contained under the following headings in the Official Statement:

(i) THE WATER ENTERPRISE – Water Enterprise Rates and Charges

(ii) THE WATER ENTERPRISE – Historical Service Connections

(iii) THE WATER ENTERPRISE – Historical Water Deliveries

(iv) THE WATER ENTERPRISE – Historical Water Sales Revenues

(v) THE WATER ENTERPRISE – Ten Largest Customers

(vi) WATER ENTERPRISE FINANCIAL INFORMATION – Historical Operating Results

(vii) WATER ENTERPRISE FINANCIAL INFORMATION – Management Discussion and Analysis

(c) Any or all of the items listed in subsections (a) and (b) above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(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.

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 Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. 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.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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(b).

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 Urban Future Incorporated.

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 Underwriter 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	Urban Futures Incorporated 3111 N. Tustin Avenue, Suite 230 Orange, CA 92865 Fax: (714) 283-5465

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: _______________, 2012

CITY OF BEVERLY HILLS

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

AGREED AND ACCEPTED:
Urban Futures Incorporated
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 2012 Water Revenue Refunding Bonds, Second Series A
Date of Issuance:	_________________, 2012

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 of Trust dated as of April 1, 2012, 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

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.

General Information

The City. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. Located approximately 10 miles west of the Los Angeles City Hall, the City occupies a land area of approximately 5.7 square miles and serves a residential population of 36,224. The City estimates that services are provided to 100,000 to 150,000 persons during the day. The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk.

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two blended component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's various departments and offices. The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire), street construction and maintenance, sanitation, refuse collection, water and sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

Approximately 90% of the City is zoned for residential use. In 2000, approximately 62% of the total dwelling units were apartments and condominiums, and 37% were single family houses. City records indicate that approximately 82% of the multi-family units are apartments and 18% are condominiums.

The County. Located along the southern coast of California, Los Angeles County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The county includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties. Almost half of the county is mountainous and some 14 percent is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the county is a semi-dry plateau, the beginning of the vast Mojave Desert.

Population

The following table shows population estimates for the City, the County and the State of California for the past five years as of January 1.

CITY OF BEVERLY HILLS, LOS ANGELES COUNTY
Population Estimates

Area	2007	2008	2009	2010	2011
City of Beverly Hills	34,210	34,028	34,084	34,136	34,210
Los Angeles County	9,780,808	9,785,474	9,801,096	9,822,121	9,858,989
State of California	36,399,676	36,704,375	36,966,713	37,223,900	37,510,766

Source: State of California, Department of Finance.

Industry

The table below lists employment by industry group for Los Angeles County for the years 2006 through 2010.

LOS ANGELES COUNTY
Annual Average Labor Force
Employment by Industry Group

	2006	2007	2008	2009	2010
Civilian Labor Force	4,808,600	4,874,600	4,930,900	4,900,100	4,879,500
Employment	4,578,700	4,626,900	4,563,200	4,336,600	4,262,300
Unemployment	229,900	247,600	367,600	563,500	617,200
Unemployment Rate	4.8%	5.1%	7.5%	11.5%	12.6%
Wage and Salary Employment: (1)					
Agriculture	7,600	7,500	6,900	6,200	6,400
Natural Resources and Mining	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,200	117,300	104,300
Manufacturing	461,700	449,200	434,500	389,200	374,200
Wholesale Trade	225,700	227,000	223,700	204,500	202,900
Retail Trade	423,300	426,000	416,500	387,000	385,200
Trans., Warehousing, Utilities	165,200	165,600	163,100	151,200	150,300
Information	205,600	209,800	210,300	191,200	192,400
Financial and Insurance	166,900	163,600	153,900	142,300	137,800
Real Estate, Rental & Leasing	79,800	80,300	79,400	73,800	71,400
Professional and Business Services	598,900	605,400	582,600	529,800	526,100
Educational and Health Services	480,800	492,700	505,800	514,600	522,700
Leisure and Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Federal Government	52,300	51,100	51,100	48,700	50,800
State Government	79,500	81,000	82,400	82,000	80,500
Local Government	457,600	463,700	470,300	465,200	445,400
Total All Industries (2)	4,100,100	4,129,600	4,077,600	3,830,300	3,775,300

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) May not add due to rounding.
Source: State of California Employment Development Department.

The table below lists the larger employers in the Los Angeles County area. Major private employers in the Los Angeles area include those in aerospace, health care, entertainment, electronics, retail and manufacturing. Major public sector employers include public universities and schools, the State of California and Los Angeles County.

LOS ANGELES COUNTY
Major Employers- Listed Alphabetically
2012

Employer Name	Location	Industry
All Nations Church	Lake View Terrace	Churches
American Honda Motor Co Inc	Torrance	Automobile & Truck Brokers (Whls)
Calif Institute of Technology	Pasadena	Schools-Universities & Colleges Academic
California State-Northridge	Northridge	Schools-Universities & Colleges Academic
CBS Television City	Los Angeles	Television Stations & Broadcasting Co
Cedars-Sinai Medical Ctr	West Hollywood	Hospitals
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Columbia Tri Star Motion	Culver City	Video Tapes & Discs-Renting & Leasing
Dispensary	Pasadena	Physicians & Surgeons
Long Beach Memorial Med Ctr	Long Beach	Hospitals
Los Angeles County Sheriff	Monterey Park	Sheriff
Los Angeles Police Dept	Los Angeles	Police Departments
Martin Luther King JR-MACC	Los Angeles	Surgical Centers
Nestle USA	Glendale	Food Products & Manufacturers
Providence Health-San Fernando	Burbank	Health Services
Providence Health-Southern Ca	Burbank	Health Services
Santa Monica College	Santa Monica	Schools
Six Flags Magic Mountain Inc	Valencia	Amusement & Theme Parks
Sony Pictures Entertainment	Culver City	Motion Picture Film-Distrs & Exchs
Torrance Memorial Medical Ctr	Torrance	Hospitals
UCLA	Los Angeles	Schools-Universities & Colleges Academic
UCLA Health System	Los Angeles	Schools-Universities & Colleges Academic
Walt Disney Co	Burbank	Motion Picture Producers & Studios
Woodlands Hills Medical Ctr	Woodland Hills	Hospitals
Worldwide Corporate Housing	Los Angeles	Building Contractors

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2012 1st Edition.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and 2010 is not comparable to that of prior years.

During the first three quarters of calendar year 2010, the total taxable transactions in the City were $1,402,603,000, representing a 4.51% increase from the total taxable transactions of $1,342,121,000 that were reported in the City during the first three quarters of calendar year 2009. A summary of historic taxable sales within the City during the past five years for which information is available is shown in the following table. Annual figures are not yet available for 2010.

CITY OF BEVERLY HILLS
Taxable Transactions
(dollars in thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2005	1,402	1,616,585	2,708	2,095,215
2006	1,457	1,701,027	2,734	2,237,643
2007	1,457	1,836,074	2,787	2,408,515
2008	1,503	1,747,111	2,806	2,234,070
2009 (1)	1,661	1,501,527	2,540	1,846,861

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State of California, Board of Equalization.

During the first three quarters of calendar year 2010, total taxable transactions in the County were reported to be $85,544,504,000, a 2.74% increase over the total taxable transactions of $83,259,517,000 that were reported in the County during the first three quarters of calendar year 2009. A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures are not yet available for 2010.

LOS ANGELES COUNTY
Taxable Transactions
(Dollars in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2005	139,641	92,271,155	298,083	130,722,373
2006	142,512	95,554,193	295,701	136,162,552
2007	142,380	96,095,711	290,344	137,820,418
2008	146,999	89,810,309	289,802	131,881,744
2009 (1)				

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State of California, Board of Equalization.

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2006 through 2010.

CITY OF BEVERLY HILLS
Building Permit Valuations
(dollars in thousands)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$ 49,643.0	$36,824.0	$39,604.8	$26,715.0	$52,804.2
New Multi-family	2,440.0	18,400.0	6,070.0	17,100.0	0.0
Res. Alterations/Additions	37,290.2	62,344.5	32,794.2	15,956.3	28,674.1
Total Residential	89,373.2	117,568.5	78,469.0	59,771.3	81,478.3
New Commercial	31,500.0	25,180.0	37,500.0	0.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	16,649.8	19,034.6	14,969.0	11,762.3	5,830.4
Com. Alterations/Additions	56,991.9	44,745.1	54,715.4	26,228.6	27,456.5
Total Nonresidential	105,141.7	88,959.7	107,184.4	37,990.9	33,286.9
New Dwelling Units					
Single Family	26	32	22	15	28
Multiple Family	36	58	7	25	0
TOTAL	62	90	29	40	28

Source: Construction Industry Research Board, *Building Permit Summary*

LOS ANGELES COUNTY
Building Permit Valuations
(dollars in thousands)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$2,560,588.5	$2,047,773.3	$1,134,121.1	$798,305.0	$922,092.0
New Multi-family	2,205,262.8	2,010,560.8	1,409,062.3	521,793.7	810,621.4
Res. Alterations/Additions	1,981,614.8	1,898,228.2	1,411,332.6	1,073,157.9	1,109,768.6
Total Residential(1)	6,747,466.2	5,956,562.3	3,954,515.9	2,393,256.6	2,842,482.0
New Commercial	1,251,955.0	1,858,923.4	1,517,965.4	513,381.3	521,995.6
New Industrial	181,821.1	108,827.3	134,587.0	40,084.0	55,772.9
New Other	767,924.9	766,205.8	680,228.1	462,139.0	436,807.8
Com. Alterations/Additions	1,693,835.1	2,005,199.0	2,157,857.2	1,657,939.6	1,662,362.9
Total Nonresidential(1)	3,895,536.1	4,739,155.4	4,490,637.8	2,673,543.9	2,676,939.1
New Dwelling Units					
Single Family	10,097	7,509	3,539	2,131	2,439
Multiple Family	16,251	12,854	10,165	3,522	5,029
TOTAL	26,348	20,363	13,704	5,653	7,468

(1) Totals may not add due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City of Beverly Hills, the County of Los Angeles, the State and the United States for the period 2006 through 2010.

LOS ANGELES COUNTY
Effective Buying Income
2006 through 2010

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2006	City of Beverly Hills	$ 1,953,665	$66,491
	Los Angeles County	190,915,435	41,683
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Beverly Hills	$ 2,056,055	$70,940
	Los Angeles County	202,646,560	43,710
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Beverly Hills	$ 2,054,953	$71,685
	Los Angeles County	206,127,855	44,653
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Beverly Hills	$ 1,852,798	$73,626
	Los Angeles County	207,077,609	45,390
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Beverly Hills	$ 1,801,875	$67,623
	Los Angeles County	196,757,991	43,133
	California	801,393,028	47,177
	United States	6,365,020,076	41,368

Source: The Nielsen Company (US), Inc.

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 "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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 this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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, 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Security 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.

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 CALI FORNIA 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

Between the

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY,
as Lessor

and the

CITY OF BEVERLY HILLS,
as Lessee

Dated as of April 1, 2012

Relating to

$__________
City of Beverly Hills Public Financing Authority
2012 Lease Revenue Refunding Bonds, Series A
(2007 Refunding Project)

$__________
City of Beverly Hills Public Financing Authority
2012 Lease Revenue Bonds, Taxable Series B
(Alternative Retiree Medical Program)

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PROPERTY LEASE

THIS **PROPERTY LEASE** (this "Property Lease"), dated as of April 1, 2012, is 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 (a) refinance certain existing lease obligations previously entered into between the Authority and the City, and to (b) finance the funding of the City's alternative retiree medical program (collectively, with other eligible projects or programs approved by the City Council of the City, the "Projects"), by leasing to the Authority the real property located at _______________, Beverly Hills, California (collectively, the "Site") and the improvements constructed thereon (the "Facilities" 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 April 1, 2012 (the "Site Lease"), which is being recorded concurrently herewith, between the City, as lessor, and the Authority, as lessee; and

WHEREAS, the Authority will, through the issuance of its (i) 2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project) (the "Series A Bonds") and (ii) 2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program) (the "Taxable Series B Bonds" and, together with the Series A Bonds, the "Bonds"), pursuant to an Indenture, dated as of April 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee, obtain the necessary funds to finance and refinance the Projects; and

WHEREAS, the right of the Trustee to receive the payments hereunder, as provided in the Indenture, will be evidenced by a Memorandum of Assignment dated as of April 1, 2012, and recorded concurrently herewith; and

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

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

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

"Agreement" means that certain Joint Exercise of Powers Agreement, dated as of November 10, 1992, by and between 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 [November 25, 2012] (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, which schedule will include a Series A Rental Payment Schedule and a Series B Base Rental Payment Schedule.

"Bonds" means the Series A Bonds and the Taxable Series B 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.

"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 will include reference to all successors to such section of the Code, when appropriate.

"Facilities" means the improvements constructed on the Site.

"Indenture" means the Indenture dated as of April 1, 2012, between the Authority and the Trustee authorizing the issuance of the 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 [December 1, 2012].

"Lease Year" means the period from the date of the issuance and delivery of the Bonds to May 31, 2012, 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.

"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) [leases,] 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 do not materially impair the use by the City or the value to the City of the Leased Property; and

(v) [leases,] 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 which do not materially impair the use by the City or the value to the City of the Leased Property.

"Prior Lease" means the Lease Agreement, dated as of January 1, 2007, between the City and the Authority.

"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 Facilities, as may from time to time be designated by the City, and who may be employed by the City.

"Series A Bonds" means the City of Beverly Hills Public Financing Authority 2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project) in the initial aggregate principal amount of $________.

"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 April 1, 2012 between the City, as lessor, and the Authority, as lessee, as it may be amended in accordance with the terms thereof.

"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.

"Taxable Series B Bonds" means the City of Beverly Hills Public Financing Authority 2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program) in the initial aggregate principal amount of $______.

"Trustee" means U.S. Bank National Association, and its successors and assigns, as trustee under the Indenture.

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, 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 it will not abandon or vacate the Leased Property. The Authority and the City are entering into this Property Lease in order to refund the 2007 Bonds and to refinance the Projects.

Section 2.02. Term. The term hereof will commence on the date of issuance of the Bonds, and will end on May 31, 20__. If on May 31, 20__, or on such later date determined pursuant to the preceding sentence, the Indenture will not be discharged by its terms, then the term of the Property Lease will be extended until the Indenture will be discharged by its terms, except that the term of the Property Lease will in no event be extended beyond May 31, 20__ or the date that is 10 years after such later date determined pursuant to the preceding sentence. If prior to May 31, 20__ or such later date determined as provided above, the Indenture will be discharged by its terms, then the term of the Property Lease will terminate upon such discharge.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Base Rental. The City will 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 will be payable on each Base Rental Payment Date during the term of this 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 this Property Lease is extended pursuant to Section 2.02 hereof, the payments of Base Rental will continue to and including such time as this Property Lease terminates in accordance with Section 2.02 hereof.

The City will provide written notice to the Trustee at least 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 will 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. Further any amount held in the Revenue Fund, the Interest Fund and the Principal Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental payments in part but not in whole under Article III and other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Base Rental payment then required to be paid hereunder; and no Base Rental payment need be deposited with the Trustee on any Base Rental Payment Date if the amounts then held in the Revenue Fund, the Interest Fund and the Principal Fund are at least equal to the Base Rental payment then required to be deposited with the Trustee.

Section 3.02. Additional Rental. The City will also pay to the Authority (but only after payment of Base Rental), as Additional Rental hereunder such amounts as will 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, 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 will 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 will be paid by the City within 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 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 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 will be abated partially for any period of time, the rental payments due for such period of time will 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 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 or the Trustee, as assignee of the Authority, will designate. Any delinquent installment of Base Rental payable hereunder will be deposited in the Revenue Fund created under the Indenture, and, except as otherwise provided herein, any such installment of Base Rental or Additional Rental accruing hereunder which will not be paid when due will, 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 will make all rental payments when due without deduction or offset of any kind and will 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, will 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 resolution or ordinance relating to the payment of rentals hereunder within thirty (30) days after the filing or adoption thereof. In no event will 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 will be deemed to be and will 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 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 will 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 will 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 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 this Property Lease will be extended by the period during which the rental is abated hereunder, except that the term will in no event be extended beyond the term set forth in Section 2.02 hereof, and the term will be extended only for those periods during which the net proceeds of rental interruption insurance described in (b) below is not sufficient to make the debt service payments on the Bonds. 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 available from the Surplus Revenue Fund (each as defined in the Indenture), 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 will use the proceeds of rental interruption insurance maintained pursuant to Section 6.03 hereof to make debt service payments on the Bonds.

Section 3.07. Application of Rental Payments. All rental payments received will 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 will be deemed a waiver of any default hereunder.

Section 3.08. Prepayment of Rental Payments.

(a) The City will prepay, as and if required by Sections 6.13 and 6.17 of the Indenture, from eminent domain proceeds or net insurance proceeds received by it, 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 $5,000 so that the aggregate annual amount of Bonds maturing in each year after such prepayment date will each be in an integral multiple of $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 will be apportioned among Base Rental payments such that Bonds will be redeemed on a proportionate basis or, if necessary, in such other manner to ensure that the Base Rental payments remaining after such prepayment will be sufficient to pay debt service on the Bonds on a timely basis.

(b)(i) 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 Series A Bonds due on or after May 25, 20__, on any date on or after May 25, 20__, in amounts which result in Series A 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 Series A Bonds being redeemed plus accrued interest thereon to the date of prepayment, without premium.

(ii) 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 Taxable Series B Bonds due on any date at a prepayment price equal to the redemption price provided for in Section 4.01(c)(ii) of the Indenture.

(c) Before making any prepayment pursuant to this section, the City will, as soon as practicable 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 will be not less than 45 nor more than 60 days from the date such notice is given.

(d) In connection with any prepayment of Base Rental payments, the City and the Authority will amend the schedules of remaining Base Rental payments attached to this Property Lease as Exhibit B.

Section 3.09. Governmental Relief. The Authority and the City hereby covenant that, in the event it is necessary to ensure the timely payment of the debt service on the Bonds, 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 will in no event be obligated to pay rental due hereunder in any Lease Year for any succeeding Lease Year prior to the date such rental payment is due.

ARTICLE IV

TITLE TO THE LEASED PROPERTY; THE PROJECTS

Section 4.01. Title to the Leased Property. During the term of the Property Lease, the Authority will 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 will remain in the City during the term of the Property Lease.

The Authority's interest in and title to the Leased Property will be transferred, conveyed and assigned to and become vested in the City and the Property Lease will 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. Financing of the Projects. The City agrees to use the proceeds of the Bonds to refund the 2007 Bonds and to refinance the Projects. The City will cause the Projects to be completed in accordance with any applicable requirements of governmental authorities and law. Payment for the refinancing of the Prior Lease will be made from proceeds of the Series A Bonds deposited in the Refunding Fund, which will be disbursed for this purpose in accordance and upon compliance with Section 3.05 of the Indenture. Payment for the costs of funding of the City's alternative retiree medical program will be made from proceeds of the Taxable Series B Bonds deposited in the Project Fund, which will 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 will be the responsibility of the City, and the City will 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 will 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 will 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 or otherwise do not adversely affect the fair market value of the Leased Property. 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.

ARTICLE VI

INSURANCE

Section 6.01. General Liability and Automobile Liability Insurance. The City will 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 will 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 will 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 will 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) 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 will, 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 (as determined in the sole discretion of the City).

(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 will 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 will 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 will 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 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 will provide that all proceeds thereunder will 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 (or any successor organizations with respect to such matters), and all amounts so paid to the Trustee will 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 will be paid to the Authority and to the City as their respective interests may appear.

Section 6.05. Additional Provisions Relating to Insurance. All policies of insurance required by this Property Lease will be in form certified by the Risk Manager to be in compliance with the requirements of this Property Lease. The City will pay when due the premiums for all insurance policies required by this Property Lease, and promptly will furnish evidence of such payments to the Authority and the Trustee. All insurance required under this Property Lease will be primary to any other insurance available to the Authority and the Trustee, and will apply separately to each insured against whom claim is made or suit is brought and will provide that the Trustee will be given 30 days' prior written notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, provided that such separate coverage will 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, and may be maintained in whole or in part in the form of participation by the City in a joint powers agency or other program providing pooled issuance. The Trustee will not be responsible for the sufficiency of any insurance herein required and will 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 will 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), in whole or in part. Any such alternative risk management program must be approved as reasonable and appropriate by the Risk Manager. The approval of the Risk Manager will be in the form of a report on the nature of the program and the adequacy of its funding which will be prepared and filed annually with the Trustee not later than August 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 will promptly notify the City in writing and the City will 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 the 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 will be deemed to be in default hereunder (i) if it will (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 will 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 will 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, will 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 will have received an Opinion of Bond Counsel to the effect that the exercise of such remedy will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds. In the event of such termination, the City agrees to immediately surrender possession of the Leased Property, without impediment, 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 will of itself operate to terminate this Property Lease, and no termination of this Property Lease on account of default by the City will be or become effective by operation of law or acts of the parties

hereto, or otherwise, unless and until the Authority will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City will make a general or any assignment for the benefit of the City's creditors; or (3) the City will abandon or vacate any portion or portions of the Leased Property, then the City will be deemed to be in default hereunder with respect to that portion or portions of the Leased Property to which the default relates.

(c) The Authority will 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 will 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 will 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 will 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 will 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 will 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 terms "re-let" or "re-letting" as used in this Section 7.01 will 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 will limit the remedies given to the Authority hereunder, the Authority nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived herein.

In the event the Authority will 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 will not be, or be construed as, a waiver thereof, nor will 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 will not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder will 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) will be taken under the power of eminent domain, the term hereof will cease as of the day that possession will be so taken. If less than the entirety of the Leased Property will 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 will 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 will 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 will 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 will be 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.

ARTICLE IX

COVENANTS

Section 9.01. Right of Entry. The Authority and its assignees will 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 will 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 will 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 mechanic's, materialman'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 will 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 will 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, will 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, will 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 will 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, equipping 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 will 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 will 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 will not be unreasonably withheld. Notwithstanding the prior sentence, the City will be entitled to sublease that portion of the Leased Property that it does need or require for its own operations.

Section 9.07. Tax Covenants.

(a) Private Activity Bond Limitation. The City and the Authority will assure that the proceeds of the Series A Bonds are not so used as to cause the Series A 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.

(b) Federal Guarantee Prohibition. Neither the City nor the Authority will take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Series A Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City and the Authority will 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 Series A Bonds.

(d) No Arbitrage. Neither the City nor the Authority will take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series A 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 Series A Bonds would have caused the Series A Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City and the Authority will take all actions necessary to assure the exclusion of interest on the Series A Bonds from the gross income of the Owners of the Series A 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 Series A Bonds. In addition, neither the City nor the Authority will take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Prior Bonds from the gross income of the owners of the Prior Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Prior Bonds.

(f) Record Retention. The City and the Authority will retain records of all accounting and monitoring it carries out with respect to the Series A Bonds for at least 3 years after the Series A Bonds mature or are redeemed (whichever is earlier); however, if the Series A Bonds are redeemed and refunded, the City and the Authority will retain records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Series A Bonds.

(g) Compliance with Tax Certificate. The City and the Authority will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Series A Bonds, which are incorporated herein as if fully set forth herein.

The City and the Authority will 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 Series A Bonds will not be included in the gross income of the owner thereof for federal income tax purposes and will take no action that would result in such interest being so included. The provisions of this Section will survive the defeasance of the Series A 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 will 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 will 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 will 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 will 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 will 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 will 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 City, 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 will, 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 Projects or any accident in connection with the operation, use, condition or possession of the Leased Property or the Projects 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 Projects 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 will 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 will be released from the leasehold hereunder, as appropriate. The Authority and the City will also make any amendments needed to be made to this 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.

(b) No Substitution will 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 will 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 Series A Bonds from gross income for federal income tax purposes, the exemption of interest on the Bonds from State of California personal income tax.

(3) The City will 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 City's leasehold 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) A Certificate of the City stating that the City is in compliance with the insurance requirements of this Property Lease.

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

Section 12.02. Removal of Leased Property. The City will 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 will 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 will file with the Authority and the Trustee an amended Exhibit A to this Property Lease that deletes the legal description of such Site or Leased Property.

(c) The City will 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 will cause to be filed with the Trustee an Opinion of Bond Counsel substantially to the effect that (i) 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 and (ii) such removal will not adversely affect the exclusion of interest on the Series A Bonds from gross income for federal income tax purposes, the exemption of interest on the Bonds from State of California personal income tax.

(e) The City will file with the Authority and the Trustee an appraisal (which will 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, taken 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) 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.

[Notwithstanding the foregoing, the Authority and the City may amend this Property Lease and the Site Lease to remove that portion of the Leased Property located at ________________ upon the payment in full of the Taxable Series B Bonds without complying with the provisions of this Section 12.02.]

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 will 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 will relate to the addition of Leased Property and not the substitution of Leased Property.

Section 12.04. Amendment of Site Lease. The Authority and the City will 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 will 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 will 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 will 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 will, 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 will 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 will have been deposited with the Trustee either money in an amount which will 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, will 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, will cause an accounting to be made in accordance with industry standards and filed with the City and the Authority and will 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 will 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 will continue to be held by the Trustee in trust for the payment of the Base Rental payments and will be applied by the Trustee pursuant to the Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Law Governing. This Property Lease will 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 or communications to be given under this Property Lease will 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 will be effective either (i) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (ii) 72 hours after deposit in the United States mail, postage prepaid, or (iii) 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 Services Telephone: (213) 615-6024 Fax: (213) 615-6199

Section 14.03. Validity and Severability. If for any reason this Property Lease will 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 will 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, will remain in full force and effect.

Section 14.04. Net-Net-Net Lease. This Property Lease will be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the rentals provided for herein will 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 will be deemed to be an original, but all together will 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. Third Party Beneficiaries. 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 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

ATTEST:

____

Byron Pope,
Secretary

CITY OF BEVERLY HILLS, *as Lessee*

By ______________________________

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

[CERTIFICATE OF ACCEPTANCE]

EXHIBIT A

DESCRIPTION OF THE SITE

The land referred to herein is situated in the State of California, County of Los Angeles, and described as follows:

(End of Legal Description)

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

Bonds (Aggregate)

Date	Principal	Interest	Total Debt Service

Date	Principal	Interest	Total Debt Service

Series A Bonds

Date	Principal	Interest	Total Debt Service

Taxable Series B Bonds

Date	Principal	Interest	Total Debt Service

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

between

CITY OF BEVERLY HILLS,
as Lessor

and the

CITY OF BEVERLY HILLS PUBLIC FINANCING AUTHORITY,
as Lessee

Dated as of April 1, 2012

Relating to

$__________
City of Beverly Hills Public Financing Authority
2012 Lease Revenue Refunding Bonds, Series A
(2007 Refunding Project)

$__________
City of Beverly Hills Public Financing Authority
2012 Lease Revenue Bonds, Taxable Series B
(Alternative Retiree Medical Program)

TABLE OF CONTENTS

SITE AND FACILITY LEASE

THIS **SITE AND FACILITY LEASE** (the "Site Lease") is dated as of April 1, 2012, 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.

RECITALS

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, 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

WHEREAS, the City desires to (a) refinance certain existing lease obligations previously entered into between the Authority and the City, and to (b) finance the funding of the City's alternative retiree medical program (collectively, with other eligible projects approved by the City Council of the City, the "Projects"), by leasing to the Authority the real property located at ____________, Beverly Hills, California (the "Site") and the improvements constructed thereon (the "Facility" and together with the Site, the "Leased Property"), which Site is described in Exhibit A hereto and incorporated herein by reference; and

WHEREAS, the Authority will, through the issuance of its (i) 2012 Lease Revenue Refunding Bonds, Series A (2007 Refunding Project) (the "Series A Bonds") and (ii) 2012 Lease Revenue Bonds, Taxable Series B (Alternative Retiree Medical Program) (the "Taxable Series B Bonds" and, together with the Series A Bonds, the "2012 Bonds"), pursuant to an Indenture, dated as of April 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee, obtain the necessary funds to finance the Projects; and

WHEREAS, the City will lease back the Leased Property from the Authority pursuant to a Property Lease dated as of April 1, 2012, 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 2012 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 mutual covenants and agreements 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 will 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, will be solely for convenience of reference and will 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, will include the plural, and vice versa. The use of a word of any gender will 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 municipal corporation 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 in any material manner 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 in any material manner 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 will commence on the date of the issuance of the 2012 Bonds, and will 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 will not be discharged by its terms, then the term of this Site Lease will be extended until the Indenture will be discharged by its terms, except that the term of this Site Lease will 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 will be discharged by its terms, then the term of this Site Lease will terminate upon such discharge.

Section 3.03. Site Lease Payment. As rental for Leased Property during the Term, the Authority agrees to apply amounts on deposit in the Project Fund and the Refunding Fund to the payment of costs of the Projects.

Section 3.04. Title. The City hereby covenants that it has insurable fee title in the Leased Property, and during the Term, the City will 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 will 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 will be revised accordingly.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property will be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term will cease as of the day possession will be so taken. If less than all of the Leased Property will be taken permanently, or if all of the Leased Property or any part thereof will be taken temporarily, under the power of eminent domain, this Site Lease will continue in full force and effect and will 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, will be applied as set forth in the Property Lease and the Indenture. All such net proceeds will 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.

ARTICLE V

MISCELLANEOUS

Section 5.01. Liens. The Authority will not, directly or indirectly, create, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of the Authority and the City as herein provided and Permitted Encumbrances.

Section 5.02. Assignment and Subleasing by the Authority. For the purpose of providing funds to enable the Authority to aid the City in financing the construction and equipping of the Projects, the Authority has subleased the Leased Property to the City pursuant to the Property Lease. The Authority will not have the right to further sublease or to assign any of its interests under this Site Lease in and to the Leased Property or any portion thereof.

Section 5.03. Amendment. Without the prior written consent of the Trustee, the Authority and the City will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Site Lease, except as is required in connection with the amendment of the Property Lease.

Section 5.04. Notices. All notices or communications to be given under this Indenture will 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 will be effective either (i) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (ii) 72 hours after deposit in the United States mail, postage prepaid, or (iii) 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 Services Telephone: (213) 615-6024 Fax: (213) 615-6199

Section 5.05. Binding Effect. This Site Lease will inure to the benefit of and will be binding upon the Authority and the City and their respective successors and assigns.

Section 5.06. Severability. In the event any provision of this Site Lease will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

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 will be an original and all of which will constitute but one and the same instrument.

Section 5.09. Applicable Law. This Site Lease will 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

ATTEST:

____

Byron Pope,
Secretary

[CERTIFICATE OF ACCEPTANCE]

EXHIBIT A

DESCRIPTION OF SITE

The land referred to herein is situated in the State of California, County of Los Angeles, and described as follows:

(End of Legal Description)

Attachment 3

SOURCES AND USES OF FUNDS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Dated Date	04/05/2012
Delivery Date	04/05/2012

Sources:	
Bond Proceeds:	
Par Amount	39,460,000.00
Premium	5,355,529.95
	44,815,529.95
Other Sources of Funds:	
Debt Service Reserve Fund	2,915,051.43
	47,730,581.38

Uses:	
Refunding Escrow Deposits:	
Cash Deposit	1.10
SLGS Purchases	47,264,739.00
	47,264,740.10
Delivery Date Expenses:	
Cost of Issuance	225,000.00
Underwriter's Discount	236,760.00
	461,760.00
Other Uses of Funds:	
Additional Proceeds	4,081.28
	47,730,581.38

SUMMARY OF REFUNDING RESULTS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Dated Date	04/05/2012
Delivery Date	04/05/2012
Arbitrage yield	2.843580%
Escrow yield	0.050200%
Bond Par Amount	39,460,000.00
True Interest Cost	3.655968%
Net Interest Cost	4.009440%
Average Coupon	4.862884%
Average Life	15.200
Par amount of refunded bonds	46,290,000.00
Average coupon of refunded bonds	4.316390%
Average life of refunded bonds	15.181
PV of prior debt to 04/05/2012 @ 2.843580%	54,950,594.00
Net PV Savings	3,299,126.18
Percentage savings of refunded bonds	7.127082%
Percentage savings of refunding bonds	8.360685%

BOND SUMMARY STATISTICS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Dated Date	04/05/2012
Delivery Date	04/05/2012
First Coupon	06/01/2012
Last Maturity	06/01/2037
Arbitrage Yield	2.843580%
True Interest Cost (TIC)	3.655968%
Net Interest Cost (NIC)	4.009440%
All-In TIC	3.703040%
Average Coupon	4.862884%
Average Life (years)	15.200
Duration of Issue (years)	10.959
Par Amount	39,460,000.00
Bond Proceeds	44,815,529.95
Total Interest	29,166,516.67
Net Interest	24,047,746.72
Bond Years from Dated Date	599,778,222.22
Bond Years from Delivery Date	599,778,222.22
Total Debt Service	68,626,516.67
Maximum Annual Debt Service	3,325,650.00
Average Annual Debt Service	2,728,085.91
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	6.000000
Total Underwriter's Discount	6.000000
Bid Price	112.972048

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bond	25,720,000.00	115.123	4.713%	11.141	19,179.25
Term Bond 2037	13,740,000.00	110.668	5.000%	22.797	11,266.80
	39,460,000.00			15.200	30,446.05

	TIC	All-In TIC	Arbitrage Yield
Par Value	39,460,000.00	39,460,000.00	39,460,000.00
+ Accrued Interest			
+ Premium (Discount)	5,355,529.95	5,355,529.95	5,355,529.95
- Underwriter's Discount	-236,760.00	-236,760.00	
- Cost of Issuance Expense		-225,000.00	
- Other Amounts			
Target Value	44,578,769.95	44,353,769.95	44,815,529.95
Target Date	04/05/2012	04/05/2012	04/05/2012
Yield	3.655968%	3.703040%	2.843580%

SUMMARY OF BONDS REFUNDED

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2007 Lease Revenue Bonds, 07LR:					
SERIAL	06/01/2012	3.600%	590,000.00		
	06/01/2013	3.650%	615,000.00	06/01/2012	100.000
	06/01/2014	3.700%	465,000.00	06/01/2012	100.000
	06/01/2015	3.750%	455,000.00	06/01/2012	100.000
	06/01/2016	3.850%	1,335,000.00	06/01/2012	100.000
	06/01/2017	3.950%	1,395,000.00	06/01/2012	100.000
	06/01/2018	4.050%	1,455,000.00	06/01/2012	100.000
	06/01/2019	4.000%	1,525,000.00	06/01/2012	100.000
	06/01/2020	4.125%	1,590,000.00	06/01/2012	100.000
	06/01/2021	4.250%	580,000.00	06/01/2012	100.000
	06/01/2022	4.250%	45,000.00	06/01/2012	100.000
	06/01/2023	4.250%	45,000.00	06/01/2012	100.000
TERM	06/01/2025	4.375%	100,000.00	06/01/2012	100.000
TERM02	06/01/2028	4.500%	160,000.00	06/01/2012	100.000
TERM03	06/01/2037	4.500%	615,000.00	06/01/2012	100.000
			10,970,000.00		
2007 Water Revenue Bonds, 07WR:					
SERIAL	06/01/2016	3.700%	420,000.00	06/01/2012	100.000
	06/01/2017	3.750%	430,000.00	06/01/2012	100.000
	06/01/2018	3.900%	445,000.00	06/01/2012	100.000
	06/01/2019	4.000%	465,000.00	06/01/2012	100.000
	06/01/2020	4.100%	485,000.00	06/01/2012	100.000
	06/01/2021	4.125%	510,000.00	06/01/2012	100.000
	06/01/2022	4.200%	525,000.00	06/01/2012	100.000
	06/01/2023	4.250%	1,565,000.00	06/01/2012	100.000
	06/01/2024	4.250%	1,635,000.00	06/01/2012	100.000
	06/01/2025	4.250%	1,450,000.00	06/01/2012	100.000
	06/01/2026	4.250%	1,510,000.00	06/01/2012	100.000
	06/01/2027	4.400%	1,330,000.00	06/01/2012	100.000
	06/01/2028	4.250%	1,930,000.00	06/01/2012	100.000
SERIAL02	06/01/2025	4.375%	250,000.00	06/01/2012	100.000
	06/01/2026	4.400%	265,000.00	06/01/2012	100.000
	06/01/2027	4.250%	520,000.00	06/01/2012	100.000
TERM	06/01/2032	4.250%	8,585,000.00	06/01/2012	100.000
TERM02	06/01/2037	4.375%	6,665,000.00	06/01/2012	100.000
TERM03	06/01/2037	4.500%	6,335,000.00	06/01/2012	100.000
			35,320,000.00		
			46,290,000.00		

SAVINGS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 04/05/2012 @ 2.8435798%
06/01/2012	1,568,430.63	1,233,716.67	334,713.96	333,247.05
06/01/2013	2,550,621.26	2,217,650.00	332,971.26	323,403.85
06/01/2014	2,378,173.76	2,043,750.00	334,423.76	315,676.19
06/01/2015	2,350,968.76	2,018,150.00	332,818.76	305,343.91
06/01/2016	3,633,906.26	3,300,350.00	333,556.26	297,440.23
06/01/2017	3,636,968.76	3,303,850.00	333,118.76	288,655.46
06/01/2018	3,640,741.26	3,305,850.00	334,891.26	281,970.04
06/01/2019	3,654,458.76	3,319,850.00	334,608.76	273,829.27
06/01/2020	3,659,858.76	3,325,650.00	334,208.76	265,829.23
06/01/2021	2,589,386.26	2,253,450.00	335,936.26	259,689.49
06/01/2022	2,023,698.76	1,691,250.00	332,448.76	249,769.52
06/01/2023	3,039,736.26	2,705,250.00	334,486.26	244,235.49
06/01/2024	3,046,311.26	2,715,250.00	331,061.26	234,988.56
06/01/2025	3,039,636.26	2,706,500.00	333,136.26	229,863.18
06/01/2026	3,039,886.26	2,704,750.00	335,136.26	224,790.39
06/01/2027	3,041,801.26	2,709,500.00	332,301.26	216,670.92
06/01/2028	3,038,706.26	2,705,250.00	333,456.26	211,353.28
06/01/2029	3,044,206.26	2,712,250.00	331,956.26	204,538.40
06/01/2030	3,040,868.76	2,709,750.00	331,118.76	198,338.75
06/01/2031	3,038,918.76	2,703,000.00	335,918.76	195,610.81
06/01/2032	3,038,143.76	2,707,000.00	331,143.76	187,462.98
06/01/2033	3,043,318.76	2,711,000.00	332,318.76	182,895.06
06/01/2034	3,039,593.76	2,704,750.00	334,843.76	179,144.49
06/01/2035	3,041,212.50	2,708,500.00	332,712.50	173,040.73
06/01/2036	3,037,725.00	2,706,500.00	331,225.00	167,465.76
06/01/2037	3,039,131.26	2,703,750.00	335,381.26	164,843.28
	77,296,409.61	68,626,516.67	8,669,892.94	6,210,096.33

Savings Summary

PV of savings from cash flow	6,210,096.33
Less: Prior funds on hand	-2,915,051.43
Plus: Refunding funds on hand	4,081.28
Net PV Savings	3,299,126.18

PRIOR BOND DEBT SERVICE

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2012	590,000	3.600%	978,430.63	1,568,430.63
06/01/2013	615,000	3.650%	1,935,621.26	2,550,621.26
06/01/2014	465,000	3.700%	1,913,173.76	2,378,173.76
06/01/2015	455,000	3.750%	1,895,968.76	2,350,968.76
06/01/2016	1,755,000	** %	1,878,906.26	3,633,906.26
06/01/2017	1,825,000	** %	1,811,968.76	3,636,968.76
06/01/2018	1,900,000	** %	1,740,741.26	3,640,741.26
06/01/2019	1,990,000	4.000%	1,664,458.76	3,654,458.76
06/01/2020	2,075,000	** %	1,584,858.76	3,659,858.76
06/01/2021	1,090,000	** %	1,499,386.26	2,589,386.26
06/01/2022	570,000	** %	1,453,698.76	2,023,698.76
06/01/2023	1,610,000	4.250%	1,429,736.26	3,039,736.26
06/01/2024	1,685,000	** %	1,361,311.26	3,046,311.26
06/01/2025	1,750,000	** %	1,289,636.26	3,039,636.26
06/01/2026	1,825,000	** %	1,214,886.26	3,039,886.26
06/01/2027	1,905,000	** %	1,136,801.26	3,041,801.26
06/01/2028	1,985,000	** %	1,053,706.26	3,038,706.26
06/01/2029	2,075,000	** %	969,206.26	3,044,206.26
06/01/2030	2,160,000	** %	880,868.76	3,040,868.76
06/01/2031	2,250,000	** %	788,918.76	3,038,918.76
06/01/2032	2,345,000	** %	693,143.76	3,038,143.76
06/01/2033	2,450,000	** %	593,318.76	3,043,318.76
06/01/2034	2,555,000	** %	484,593.76	3,039,593.76
06/01/2035	2,670,000	** %	371,212.50	3,041,212.50
06/01/2036	2,785,000	** %	252,725.00	3,037,725.00
06/01/2037	2,910,000	** %	129,131.26	3,039,131.26
	46,290,000		31,006,409.61	77,296,409.61

BOND DEBT SERVICE

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Dated Date 04/05/2012
Delivery Date 04/05/2012

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2012	955,000	2.000%	278,716.67	1,233,716.67
06/01/2013	445,000	2.000%	1,772,650.00	2,217,650.00
06/01/2014	280,000	2.000%	1,763,750.00	2,043,750.00
06/01/2015	260,000	3.000%	1,758,150.00	2,018,150.00
06/01/2016	1,550,000	3.000%	1,750,350.00	3,300,350.00
06/01/2017	1,600,000	3.000%	1,703,850.00	3,303,850.00
06/01/2018	1,650,000	4.000%	1,655,850.00	3,305,850.00
06/01/2019	1,730,000	4.000%	1,589,850.00	3,319,850.00
06/01/2020	1,805,000	4.000%	1,520,650.00	3,325,650.00
06/01/2021	805,000	4.000%	1,448,450.00	2,253,450.00
06/01/2022	275,000	4.000%	1,416,250.00	1,691,250.00
06/01/2023	1,300,000	5.000%	1,405,250.00	2,705,250.00
06/01/2024	1,375,000	5.000%	1,340,250.00	2,715,250.00
06/01/2025	1,435,000	5.000%	1,271,500.00	2,706,500.00
06/01/2026	1,505,000	5.000%	1,199,750.00	2,704,750.00
06/01/2027	1,585,000	5.000%	1,124,500.00	2,709,500.00
06/01/2028	1,660,000	5.000%	1,045,250.00	2,705,250.00
06/01/2029	1,750,000	5.000%	962,250.00	2,712,250.00
06/01/2030	1,835,000	5.000%	874,750.00	2,709,750.00
06/01/2031	1,920,000	5.000%	783,000.00	2,703,000.00
06/01/2032	2,020,000	5.000%	687,000.00	2,707,000.00
06/01/2033	2,125,000	5.000%	586,000.00	2,711,000.00
06/01/2034	2,225,000	5.000%	479,750.00	2,704,750.00
06/01/2035	2,340,000	5.000%	368,500.00	2,708,500.00
06/01/2036	2,455,000	5.000%	251,500.00	2,706,500.00
06/01/2037	2,575,000	5.000%	128,750.00	2,703,750.00
	39,460,000		29,166,516.67	68,626,516.67

ESCROW REQUIREMENTS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Period Ending	Principal	Interest	Principal Redeemed	Total
06/01/2012	590,000.00	978,430.63	45,700,000.00	47,268,430.63
	590,000.00	978,430.63	45,700,000.00	47,268,430.63

BOND PRICING

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Water Revenue Bonds
Rates as of 02-22-2012

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Premium (-Discount)
Serial Bond:							
	06/01/2012	955,000	2.000%	0.430%	100.243		2,320.65
	06/01/2013	445,000	2.000%	0.480%	101.749		7,783.05
	06/01/2014	280,000	2.000%	0.560%	103.080		8,624.00
	06/01/2015	260,000	3.000%	0.720%	107.100		18,460.00
	06/01/2016	1,550,000	3.000%	0.850%	108.759		135,764.50
	06/01/2017	1,600,000	3.000%	1.030%	109.865		157,840.00
	06/01/2018	1,650,000	4.000%	1.300%	115.921		262,696.50
	06/01/2019	1,730,000	4.000%	1.560%	116.458		284,723.40
	06/01/2020	1,805,000	4.000%	1.840%	116.286		293,962.30
	06/01/2021	805,000	4.000%	2.060%	116.109		129,677.45
	06/01/2022	275,000	4.000%	2.230%	114.582 C	2.375%	40,100.50
	06/01/2023	1,300,000	5.000%	2.390%	121.345 C	2.763%	277,485.00
	06/01/2024	1,375,000	5.000%	2.480%	120.523 C	2.975%	282,191.25
	06/01/2025	1,435,000	5.000%	2.570%	119.708 C	3.157%	282,809.80
	06/01/2026	1,505,000	5.000%	2.680%	118.721 C	3.330%	281,751.05
	06/01/2027	1,585,000	5.000%	2.770%	117.921 C	3.469%	284,047.85
	06/01/2028	1,660,000	5.000%	2.860%	117.126 C	3.593%	284,291.60
	06/01/2029	1,750,000	5.000%	2.950%	116.339 C	3.704%	285,932.50
	06/01/2030	1,835,000	5.000%	3.040%	115.557 C	3.805%	285,470.95
	06/01/2031	1,920,000	5.000%	3.130%	114.782 C	3.897%	283,814.40
		25,720,000					3,889,746.75
Term Bond 2037:							
	06/01/2032	2,020,000	5.000%	3.620%	110.668 C	4.301%	215,493.60
	06/01/2033	2,125,000	5.000%	3.620%	110.668 C	4.301%	226,695.00
	06/01/2034	2,225,000	5.000%	3.620%	110.668 C	4.301%	237,363.00
	06/01/2035	2,340,000	5.000%	3.620%	110.668 C	4.301%	249,631.20
	06/01/2036	2,455,000	5.000%	3.620%	110.668 C	4.301%	261,899.40
	06/01/2037	2,575,000	5.000%	3.620%	110.668 C	4.301%	274,701.00
		13,740,000					1,465,783.20
		39,460,000					5,355,529.95

Dated Date	04/05/2012	
Delivery Date	04/05/2012	
First Coupon	06/01/2012	
Par Amount	39,460,000.00	
Premium	5,355,529.95	
Production	44,815,529.95	113.572048%
Underwriter's Discount	-236,760.00	-0.600000%
Purchase Price	44,578,769.95	112.972048%
Accrued Interest		
Net Proceeds	44,578,769.95	

SOURCES AND USES OF FUNDS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Dated Date	04/24/2012
Delivery Date	04/24/2012

Sources:	
Bond Proceeds:	
Par Amount	57,970,000.00
Premium	7,133,359.70
	65,103,359.70
Other Sources of Funds:	
Debt Service Reserve Fund	6,030,464.62
	71,133,824.32

Uses:	
Refunding Escrow Deposits:	
Cash Deposit	0.27
SLGS Purchases	70,559,953.00
	70,559,953.27
Delivery Date Expenses:	
Cost of Issuance	225,000.00
Underwriter's Discount	347,820.00
	572,820.00
Other Uses of Funds:	
Additional Proceeds	1,051.05
	71,133,824.32

SUMMARY OF REFUNDING RESULTS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Dated Date	04/24/2012
Delivery Date	04/24/2012
Arbitrage yield	3.104562%
Escrow yield	0.050653%
Bond Par Amount	57,970,000.00
True Interest Cost	3.583258%
Net Interest Cost	3.873110%
Average Coupon	4.721093%
Average Life	13.804
Par amount of refunded bonds	69,055,000.00
Average coupon of refunded bonds	4.424637%
Average life of refunded bonds	14.221
PV of prior debt to 04/24/2012 @ 3.104562%	80,367,511.19
Net PV Savings	6,304,269.18
Percentage savings of refunded bonds	9.129345%
Percentage savings of refunding bonds	10.875055%

BOND SUMMARY STATISTICS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Dated Date	04/24/2012
Delivery Date	04/24/2012
First Coupon	06/01/2012
Last Maturity	06/01/2037
Arbitrage Yield	3.104562%
True Interest Cost (TIC)	3.583258%
Net Interest Cost (NIC)	3.873110%
All-In TIC	3.617313%
Average Coupon	4.721093%
Average Life (years)	13.804
Duration of Issue (years)	10.410
Par Amount	57,970,000.00
Bond Proceeds	65,103,359.70
Total Interest	37,778,089.86
Net Interest	30,992,550.16
Bond Years from Dated Date	800,198,027.78
Bond Years from Delivery Date	800,198,027.78
Total Debt Service	95,748,089.86
Maximum Annual Debt Service	6,936,500.00
Average Annual Debt Service	3,814,242.82
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	6.000000
Total Underwriter's Discount	6.000000
Bid Price	111.705261

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bond	49,660,000.00	113.087	4.635%	12.307	43,413.05
2037 Term Bond	8,310,000.00	107.636	5.000%	22.747	7,146.60
	57,970,000.00			13.804	50,559.65

	TIC	All-In TIC	Arbitrage Yield
Par Value	57,970,000.00	57,970,000.00	57,970,000.00
+ Accrued Interest			
+ Premium (Discount)	7,133,359.70	7,133,359.70	7,133,359.70
- Underwriter's Discount	-347,820.00	-347,820.00	
- Cost of Issuance Expense		-225,000.00	
- Other Amounts			
Target Value	64,755,539.70	64,530,539.70	65,103,359.70
Target Date	04/24/2012	04/24/2012	04/24/2012
Yield	3.583258%	3.617313%	3.104562%

SUMMARY OF BONDS REFUNDED

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2007 Lease Revenue Bonds, 07LR:					
SERIAL	06/01/2012	3.600%	240,000.00		
	06/01/2013	3.650%	245,000.00	06/01/2012	100.000
	06/01/2014	3.700%	425,000.00	06/01/2012	100.000
	06/01/2015	3.750%	470,000.00	06/01/2012	100.000
	06/01/2016	3.850%	1,050,000.00	06/01/2012	100.000
	06/01/2017	3.950%	1,080,000.00	06/01/2012	100.000
	06/01/2018	4.050%	1,120,000.00	06/01/2012	100.000
	06/01/2019	4.000%	1,155,000.00	06/01/2012	100.000
	06/01/2020	4.125%	1,195,000.00	06/01/2012	100.000
	06/01/2021	4.250%	4,345,000.00	06/01/2012	100.000
	06/01/2022	4.250%	5,090,000.00	06/01/2012	100.000
	06/01/2023	4.250%	5,310,000.00	06/01/2012	100.000
TERM	06/01/2025	4.375%	11,305,000.00	06/01/2012	100.000
TERM02	06/01/2028	4.500%	18,920,000.00	06/01/2012	100.000
TERM03	06/01/2037	4.500%	17,105,000.00	06/01/2012	100.000
			69,055,000.00		

SAVINGS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 04/24/2012 @ 3.1045618%
06/01/2012	1,748,626.25	1,673,614.86	75,011.39	74,774.26
06/01/2013	3,253,612.50	2,585,450.00	668,162.50	649,018.63
06/01/2014	3,424,670.00	2,705,450.00	719,220.00	677,118.85
06/01/2015	3,453,945.00	2,738,050.00	715,895.00	653,460.93
06/01/2016	4,016,320.00	3,299,175.00	717,145.00	634,644.15
06/01/2017	4,005,895.00	3,291,175.00	714,720.00	613,169.71
06/01/2018	4,003,235.00	3,284,275.00	718,960.00	597,947.50
06/01/2019	3,992,875.00	3,276,925.00	715,950.00	577,245.38
06/01/2020	3,986,675.00	3,271,525.00	715,150.00	559,014.43
06/01/2021	7,087,381.26	6,370,125.00	717,256.26	543,541.65
06/01/2022	7,647,718.76	6,928,525.00	719,193.76	528,311.74
06/01/2023	7,651,393.76	6,931,750.00	719,643.76	512,495.99
06/01/2024	7,645,718.76	6,928,550.00	717,168.76	495,069.88
06/01/2025	7,648,781.26	6,932,750.00	716,031.26	479,077.79
06/01/2026	7,656,125.00	6,936,500.00	719,625.00	466,914.34
06/01/2027	7,649,550.00	6,932,000.00	717,550.00	451,460.60
06/01/2028	7,651,050.00	6,934,000.00	717,050.00	437,481.26
06/01/2029	2,349,725.00	1,631,500.00	718,225.00	424,931.27
06/01/2030	2,353,625.00	1,634,000.00	719,625.00	412,758.83
06/01/2031	2,354,150.00	1,638,750.00	715,400.00	397,808.41
06/01/2032	2,351,300.00	1,635,500.00	715,800.00	385,873.37
06/01/2033	2,350,075.00	1,634,500.00	715,575.00	373,967.58
06/01/2034	2,355,250.00	1,640,500.00	714,750.00	362,122.99
06/01/2035	2,351,375.00	1,633,000.00	718,375.00	352,834.81
06/01/2036	2,358,675.00	1,642,500.00	716,175.00	341,001.72
06/01/2037	2,356,475.00	1,638,000.00	718,475.00	331,636.68
	113,704,222.55	95,748,089.86	17,956,132.69	12,333,682.75

Savings Summary

PV of savings from cash flow	12,333,682.75
Less: Prior funds on hand	-6,030,464.62
Plus: Refunding funds on hand	1,051.05
Net PV Savings	6,304,269.18

PRIOR BOND DEBT SERVICE

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2012	240,000	3.600%	1,508,626.25	1,748,626.25	1,748,626.25
12/01/2012			1,504,306.25	1,504,306.25	
06/01/2013	245,000	3.650%	1,504,306.25	1,749,306.25	3,253,612.50
12/01/2013			1,499,835.00	1,499,835.00	
06/01/2014	425,000	3.700%	1,499,835.00	1,924,835.00	3,424,670.00
12/01/2014			1,491,972.50	1,491,972.50	
06/01/2015	470,000	3.750%	1,491,972.50	1,961,972.50	3,453,945.00
12/01/2015			1,483,160.00	1,483,160.00	
06/01/2016	1,050,000	3.850%	1,483,160.00	2,533,160.00	4,016,320.00
12/01/2016			1,462,947.50	1,462,947.50	
06/01/2017	1,080,000	3.950%	1,462,947.50	2,542,947.50	4,005,895.00
12/01/2017			1,441,617.50	1,441,617.50	
06/01/2018	1,120,000	4.050%	1,441,617.50	2,561,617.50	4,003,235.00
12/01/2018			1,418,937.50	1,418,937.50	
06/01/2019	1,155,000	4.000%	1,418,937.50	2,573,937.50	3,992,875.00
12/01/2019			1,395,837.50	1,395,837.50	
06/01/2020	1,195,000	4.125%	1,395,837.50	2,590,837.50	3,986,675.00
12/01/2020			1,371,190.63	1,371,190.63	
06/01/2021	4,345,000	4.250%	1,371,190.63	5,716,190.63	7,087,381.26
12/01/2021			1,278,859.38	1,278,859.38	
06/01/2022	5,090,000	4.250%	1,278,859.38	6,368,859.38	7,647,718.76
12/01/2022			1,170,696.88	1,170,696.88	
06/01/2023	5,310,000	4.250%	1,170,696.88	6,480,696.88	7,651,393.76
12/01/2023			1,057,859.38	1,057,859.38	
06/01/2024	5,530,000	4.375%	1,057,859.38	6,587,859.38	7,645,718.76
12/01/2024			936,890.63	936,890.63	
06/01/2025	5,775,000	4.375%	936,890.63	6,711,890.63	7,648,781.26
12/01/2025			810,562.50	810,562.50	
06/01/2026	6,035,000	4.500%	810,562.50	6,845,562.50	7,656,125.00
12/01/2026			674,775.00	674,775.00	
06/01/2027	6,300,000	4.500%	674,775.00	6,974,775.00	7,649,550.00
12/01/2027			533,025.00	533,025.00	
06/01/2028	6,585,000	4.500%	533,025.00	7,118,025.00	7,651,050.00
12/01/2028			384,862.50	384,862.50	
06/01/2029	1,580,000	4.500%	384,862.50	1,964,862.50	2,349,725.00
12/01/2029			349,312.50	349,312.50	
06/01/2030	1,655,000	4.500%	349,312.50	2,004,312.50	2,353,625.00
12/01/2030			312,075.00	312,075.00	
06/01/2031	1,730,000	4.500%	312,075.00	2,042,075.00	2,354,150.00
12/01/2031			273,150.00	273,150.00	
06/01/2032	1,805,000	4.500%	273,150.00	2,078,150.00	2,351,300.00
12/01/2032			232,537.50	232,537.50	
06/01/2033	1,885,000	4.500%	232,537.50	2,117,537.50	2,350,075.00
12/01/2033			190,125.00	190,125.00	
06/01/2034	1,975,000	4.500%	190,125.00	2,165,125.00	2,355,250.00
12/01/2034			145,687.50	145,687.50	
06/01/2035	2,060,000	4.500%	145,687.50	2,205,687.50	2,351,375.00
12/01/2035			99,337.50	99,337.50	
06/01/2036	2,160,000	4.500%	99,337.50	2,259,337.50	2,358,675.00
12/01/2036			50,737.50	50,737.50	
06/01/2037	2,255,000	4.500%	50,737.50	2,305,737.50	2,356,475.00
	69,055,000		44,649,222.55	113,704,222.55	113,704,222.55

BOND PRICING

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Premium (-Discount)
Serial Bond:							
	06/01/2012	1,405,000	2.000%	0.530%	100.150		2,107.50
	06/01/2013		2.000%	0.580%	101.558		
	06/01/2014	120,000	2.000%	0.710%	102.687		3,224.40
	06/01/2015	155,000	2.500%	0.870%	104.978		7,715.90
	06/01/2016	720,000	2.500%	1.020%	105.931		42,703.20
	06/01/2017	730,000	3.000%	1.230%	108.727		63,707.10
	06/01/2018	745,000	3.000%	1.500%	108.715		64,926.75
	06/01/2019	760,000	4.000%	1.810%	114.533		110,450.80
	06/01/2020	785,000	4.000%	2.140%	113.767		108,070.95
	06/01/2021	3,915,000	4.000%	2.410%	112.924		505,974.60
	06/01/2022	4,630,000	4.250%	2.630%	114.288		661,534.40
	06/01/2023	4,830,000	4.000%	2.790%	110.586 C	2.879%	511,303.80
	06/01/2024	5,020,000	4.000%	2.930%	109.296 C	3.074%	466,659.20
	06/01/2025	5,225,000	5.000%	3.020%	117.126 C	3.372%	894,833.50
	06/01/2026	5,490,000	5.000%	3.130%	116.086 C	3.541%	883,121.40
	06/01/2027	5,760,000	5.000%	3.220%	115.244 C	3.675%	878,054.40
	06/01/2028	6,050,000	5.000%	3.310%	114.408 C	3.796%	871,684.00
	06/01/2029	1,050,000	5.000%	3.400%	113.580 C	3.904%	142,590.00
	06/01/2030	1,105,000	5.000%	3.490%	112.759 C	4.002%	140,986.95
	06/01/2031	1,165,000	5.000%	3.580%	111.945 C	4.092%	139,159.25
		49,660,000					6,498,808.10
2037 Term Bond:							
	06/01/2032	1,220,000	5.000%	4.070%	107.636 C	4.489%	93,159.20
	06/01/2033	1,280,000	5.000%	4.070%	107.636 C	4.489%	97,740.80
	06/01/2034	1,350,000	5.000%	4.070%	107.636 C	4.489%	103,086.00
	06/01/2035	1,410,000	5.000%	4.070%	107.636 C	4.489%	107,667.60
	06/01/2036	1,490,000	5.000%	4.070%	107.636 C	4.489%	113,776.40
	06/01/2037	1,560,000	5.000%	4.070%	107.636 C	4.489%	119,121.60
		8,310,000					634,551.60
		57,970,000					7,133,359.70

Dated Date	04/24/2012	
Delivery Date	04/24/2012	
First Coupon	06/01/2012	
Par Amount	57,970,000.00	
Premium	7,133,359.70	
Production	65,103,359.70	112.305261%
Underwriter's Discount	-347,820.00	-0.600000%
Purchase Price	64,755,539.70	111.705261%
Accrued Interest		
Net Proceeds	64,755,539.70	

ESCROW DESCRIPTIONS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Apr 24, 2012:							
	SLGS	Certificate	06/01/2012	06/01/2012	70,559,953	0.050%	0.050%
					70,559,953		

SLGS Summary

SLGS Rates File	10FEB12
Total Certificates of Indebtedness	70,559,953.00

ESCROW STATISTICS

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Escrow	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSRF	6,030,464.62	0.103	61.96	0.050652%	0.050652%	6,011,713.55	18,751.07	
BP	64,529,488.65	0.103	663.03	0.050653%	0.050653%	64,328,841.29	200,647.36	
	70,559,953.27		724.99			70,340,554.84	219,398.43	0.00

Delivery date	04/24/2012
Arbitrage yield	3.104562%

BOND SOLUTION

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
06/01/2012	1,405,000	1,673,615	1,673,615	1,748,626	75,011	104.48200%
06/01/2013		2,585,450	2,585,450	3,253,613	668,163	125.84318%
06/01/2014	120,000	2,705,450	2,705,450	3,424,670	719,220	126.58412%
06/01/2015	155,000	2,738,050	2,738,050	3,453,945	715,895	126.14616%
06/01/2016	720,000	3,299,175	3,299,175	4,016,320	717,145	121.73710%
06/01/2017	730,000	3,291,175	3,291,175	4,005,895	714,720	121.71626%
06/01/2018	745,000	3,284,275	3,284,275	4,003,235	718,960	121.89098%
06/01/2019	760,000	3,276,925	3,276,925	3,992,875	715,950	121.84823%
06/01/2020	785,000	3,271,525	3,271,525	3,986,675	715,150	121.85984%
06/01/2021	3,915,000	6,370,125	6,370,125	7,087,381	717,256	111.25969%
06/01/2022	4,630,000	6,928,525	6,928,525	7,647,719	719,194	110.38019%
06/01/2023	4,830,000	6,931,750	6,931,750	7,651,394	719,644	110.38185%
06/01/2024	5,020,000	6,928,550	6,928,550	7,645,719	717,169	110.35092%
06/01/2025	5,225,000	6,932,750	6,932,750	7,648,781	716,031	110.32824%
06/01/2026	5,490,000	6,936,500	6,936,500	7,656,125	719,625	110.37447%
06/01/2027	5,760,000	6,932,000	6,932,000	7,649,550	717,550	110.35127%
06/01/2028	6,050,000	6,934,000	6,934,000	7,651,050	717,050	110.34107%
06/01/2029	1,050,000	1,631,500	1,631,500	2,349,725	718,225	144.02237%
06/01/2030	1,105,000	1,634,000	1,634,000	2,353,625	719,625	144.04070%
06/01/2031	1,165,000	1,638,750	1,638,750	2,354,150	715,400	143.65523%
06/01/2032	1,220,000	1,635,500	1,635,500	2,351,300	715,800	143.76643%
06/01/2033	1,280,000	1,634,500	1,634,500	2,350,075	715,575	143.77944%
06/01/2034	1,350,000	1,640,500	1,640,500	2,355,250	714,750	143.56903%
06/01/2035	1,410,000	1,633,000	1,633,000	2,351,375	718,375	143.99112%
06/01/2036	1,490,000	1,642,500	1,642,500	2,358,675	716,175	143.60274%
06/01/2037	1,560,000	1,638,000	1,638,000	2,356,475	718,475	143.86294%
	57,970,000	95,748,090	95,748,090	113,704,223	17,956,133	

UNREFUNDED BOND DEBT SERVICE

City of Beverly Hills Public Financing Authority
Current Refunding of 2007 Lease Revenue Bonds
Rates as of 02/22/2012

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2012	590,000	3.600%	218,847.50	808,847.50	808,847.50
12/01/2012			208,227.50	208,227.50	
06/01/2013	615,000	3.650%	208,227.50	823,227.50	1,031,455.00
12/01/2013			197,003.75	197,003.75	
06/01/2014	465,000	3.700%	197,003.75	662,003.75	859,007.50
12/01/2014			188,401.25	188,401.25	
06/01/2015	455,000	3.750%	188,401.25	643,401.25	831,802.50
12/01/2015			179,870.00	179,870.00	
06/01/2016	1,335,000	3.850%	179,870.00	1,514,870.00	1,694,740.00
12/01/2016			154,171.25	154,171.25	
06/01/2017	1,395,000	3.950%	154,171.25	1,549,171.25	1,703,342.50
12/01/2017			126,620.00	126,620.00	
06/01/2018	1,455,000	4.050%	126,620.00	1,581,620.00	1,708,240.00
12/01/2018			97,156.25	97,156.25	
06/01/2019	1,525,000	4.000%	97,156.25	1,622,156.25	1,719,312.50
12/01/2019			66,656.25	66,656.25	
06/01/2020	1,590,000	4.125%	66,656.25	1,656,656.25	1,723,312.50
12/01/2020			33,862.50	33,862.50	
06/01/2021	580,000	4.250%	33,862.50	613,862.50	647,725.00
12/01/2021			21,537.50	21,537.50	
06/01/2022	45,000	4.250%	21,537.50	66,537.50	88,075.00
12/01/2022			20,581.25	20,581.25	
06/01/2023	45,000	4.250%	20,581.25	65,581.25	86,162.50
12/01/2023			19,625.00	19,625.00	
06/01/2024	50,000	4.375%	19,625.00	69,625.00	89,250.00
12/01/2024			18,531.25	18,531.25	
06/01/2025	50,000	4.375%	18,531.25	68,531.25	87,062.50
12/01/2025			17,437.50	17,437.50	
06/01/2026	50,000	4.500%	17,437.50	67,437.50	84,875.00
12/01/2026			16,312.50	16,312.50	
06/01/2027	55,000	4.500%	16,312.50	71,312.50	87,625.00
12/01/2027			15,075.00	15,075.00	
06/01/2028	55,000	4.500%	15,075.00	70,075.00	85,150.00
12/01/2028			13,837.50	13,837.50	
06/01/2029	60,000	4.500%	13,837.50	73,837.50	87,675.00
12/01/2029			12,487.50	12,487.50	
06/01/2030	60,000	4.500%	12,487.50	72,487.50	84,975.00
12/01/2030			11,137.50	11,137.50	
06/01/2031	60,000	4.500%	11,137.50	71,137.50	82,275.00
12/01/2031			9,787.50	9,787.50	
06/01/2032	65,000	4.500%	9,787.50	74,787.50	84,575.00
12/01/2032			8,325.00	8,325.00	
06/01/2033	70,000	4.500%	8,325.00	78,325.00	86,650.00
12/01/2033			6,750.00	6,750.00	
06/01/2034	70,000	4.500%	6,750.00	76,750.00	83,500.00
12/01/2034			5,175.00	5,175.00	
06/01/2035	75,000	4.500%	5,175.00	80,175.00	85,350.00
12/01/2035			3,487.50	3,487.50	
06/01/2036	75,000	4.500%	3,487.50	78,487.50	81,975.00
12/01/2036			1,800.00	1,800.00	
06/01/2037	80,000	4.500%	1,800.00	81,800.00	83,600.00
	10,970,000		3,126,560.00	14,096,560.00	14,096,560.00

2012 Refunding Lease Revenue Bonds

Year Ending	Principal	Coupon	Interest	Total Debt Service
6/1/2012	1,405,000	2.00%	268,615	1,673,615
6/1/2013	-	0.00%	2,585,450	2,585,450
6/1/2014	120,000	2.00%	2,585,450	2,705,450
6/1/2015	155,000	2.50%	2,583,050	2,738,050
6/1/2016	720,000	2.50%	2,579,175	3,299,175
6/1/2017	730,000	3.00%	2,561,175	3,291,175
6/1/2018	745,000	3.00%	2,539,275	3,284,275
6/1/2019	760,000	4.00%	2,516,925	3,276,925
6/1/2020	785,000	4.00%	2,486,525	3,271,525
6/1/2021	3,915,000	4.00%	2,455,125	6,370,125
6/1/2022	4,630,000	4.25%	2,298,525	6,928,525
6/1/2023	4,830,000	4.00%	2,101,750	6,931,750
6/1/2024	5,020,000	4.00%	1,908,550	6,928,550
6/1/2025	5,225,000	5.00%	1,707,750	6,932,750
6/1/2026	5,490,000	5.00%	1,446,500	6,936,500
6/1/2027	5,760,000	5.00%	1,172,000	6,932,000
6/1/2028	6,050,000	5.00%	884,000	6,934,000
6/1/2029	1,050,000	5.00%	581,500	1,631,500
6/1/2030	1,105,000	5.00%	529,000	1,634,000
6/1/2031	1,165,000	5.00%	473,750	1,638,750
6/1/2032	1,220,000	5.00%	415,500	1,635,500
6/1/2033	1,280,000	5.00%	354,500	1,634,500
6/1/2034	1,350,000	5.00%	290,500	1,640,500
6/1/2035	1,410,000	5.00%	223,000	1,633,000
6/1/2036	1,490,000	5.00%	152,500	1,642,500
6/1/2037	1,560,000	5.00%	78,000	1,638,000
Total	**57,970,000**		**37,778,090**	**95,748,090**

2012 Refunding Lease Revenue Bonds

Year Ending	Principal	Coupon	Interest	Total Debt Service
6/1/2012	1,405,000	2.00%	268,615	1,673,615
6/1/2013	-	0.00%	2,585,450	2,585,450
6/1/2014	120,000	2.00%	2,585,450	2,705,450
6/1/2015	155,000	2.50%	2,583,050	2,738,050
6/1/2016	720,000	2.50%	2,579,175	3,299,175
6/1/2017	730,000	3.00%	2,561,175	3,291,175
6/1/2018	745,000	3.00%	2,539,275	3,284,275
6/1/2019	760,000	4.00%	2,516,925	3,276,925
6/1/2020	785,000	4.00%	2,486,525	3,271,525
6/1/2021	3,915,000	4.00%	2,455,125	6,370,125
6/1/2022	4,630,000	4.25%	2,298,525	6,928,525
6/1/2023	4,830,000	4.00%	2,101,750	6,931,750
6/1/2024	5,020,000	4.00%	1,908,550	6,928,550
6/1/2025	5,225,000	5.00%	1,707,750	6,932,750
6/1/2026	5,490,000	5.00%	1,446,500	6,936,500
6/1/2027	5,760,000	5.00%	1,172,000	6,932,000
6/1/2028	6,050,000	5.00%	884,000	6,934,000
6/1/2029	1,050,000	5.00%	581,500	1,631,500
6/1/2030	1,105,000	5.00%	529,000	1,634,000
6/1/2031	1,165,000	5.00%	473,750	1,638,750
6/1/2032	1,220,000	5.00%	415,500	1,635,500
6/1/2033	1,280,000	5.00%	354,500	1,634,500
6/1/2034	1,350,000	5.00%	290,500	1,640,500
6/1/2035	1,410,000	5.00%	223,000	1,633,000
6/1/2036	1,490,000	5.00%	152,500	1,642,500
6/1/2037	1,560,000	5.00%	78,000	1,638,000
Total	**57,970,000**		**37,778,090**	**95,748,090**